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# ***CENTRAL EURASIA***



# FBIS Report: Central Eurasia

FBIS-USR-94-030

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28 March 1994

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**Evaluation, Statistics on Russia-CIS Trade Given**  
944E0594A Moscow ROSSIYSKIYE VESTI in Russian  
10 Mar 94 p 11

[Article: "Monetary Flows: Russia-CIS and the Baltic"]

[Text] In 1993 Russia's foreign trade turnover with countries of the near abroad totaled 22.5 trillion rubles [R]. Trade with each of the partners is characterized by the following data:

**Table 1. Trade with Countries of the Near Abroad in 1993, in billions of rubles, in current prices**

Country	2—Receipts to Russia (estimated)	1—Deliveries from Russia (estimated)	Greater, Deliveries or Receipts (-)
Overall	13,870	8,621	5,249
Including			
Azerbaijan	167	181	-14
Armenia	69	17	52
Belarus	2,205	1,966	239
Kazakhstan	2,386	1,414	972
Kyrgyzstan	208	112	96
Moldova	402	112	290
Tajikistan	97	34	63
Turkmenistan	194	86	108
Uzbekistan	735	1,026	-291
Ukraine	7,365	3,647	3,718
Georgia	42	26	16

In accordance with intergovernmental agreements concluded by Russia with states which are former Union republics, a definite mechanism of trade-economic relations between them took shape and operated in 1993. The trade regimes, the volumes and conditions of mutual deliveries, and methods of tariff and nontariff regulation were defined. The creation of Russian trade representations in a number of states of the Commonwealth was envisioned.

Agreement was reached with virtually all the CIS states on employing a free trade regime. At the same time, however, an export tariff on certain goods, as an exception to the free trade regime, acted as a regulator of Russian export. Export duties are imposed on the export from Russia of food, mineral raw materials and fuel, ferrous and nonferrous metals, chemicals, timber and pulp and paper goods, leather and textile raw materials, aviation equipment, and weapons. Motor vehicles, equipment, and other output are exported duty free. On the whole, for most goods of Russian export on which export tariffs were imposed, duties were from 10 to 30 percent of the level of world prices for these goods.

The need to satisfy Russia's economic interests accounts for the existence of duties on goods exported from Russia to the CIS countries, since prices for many hard

currency types of output on Russia's domestic market are lower than world prices. However, the decision was made to supply energy media from Russia at prices oriented to world prices.

Tariff and nontariff regulation of Russia's trade relations with the Commonwealth countries enabled trade exchange to be normalized and balanced. But the crisis situation in the economy, the drop in production, and the reorientation of enterprises' economic ties to the distant abroad caused Russia's trade turnover with the CIS states to continue to drop. The trade volume in 1993 totaled only 50 percent of the 1991 level.

The mechanism used to supply state needs for the major types of output and ensure mutual benefit in trade is a mechanism of equivalent deliveries on a balanced basis, which is figured on the basis of the price levels of the world market. In 1993, using this mechanism the overall trade turnover with the CIS countries totaled about 7 billion dollars.

In 1993 Russia had to regulate payment relations with the CIS states by instituting correspondent accounts of central (national) banks in the Central Bank of Russia. This prevented the uncontrolled release of circulating rubles into the Russian market, which was a powerful source of inflation in Russia. Payment-credit relations were also put in order and sums of technical credits granted by Russia were converted to state credits with liquidation conditions close to world conditions.

The debts of the CIS states owed to Russia which were converted to a state debt totaled R2.3 trillion (roughly 5 billion U.S. dollars). And the possibility of paying off some of the debt by transferring property rights (stock, securities, and the like) to enterprises and objects which were of interest to Russia was envisioned at the same time.

Questions related to allowing payment-accounts relations between the states' enterprises is of definite significance in Russia's economic ties with the CIS countries.

At the end of 1993, the overall debt of enterprises and organizations of the CIS countries for goods supplied under direct ties from Russia totaled about R3.5 trillion, and of that roughly R1.5 trillion made up the debt to enterprises of Russia's fuel and energy complex.

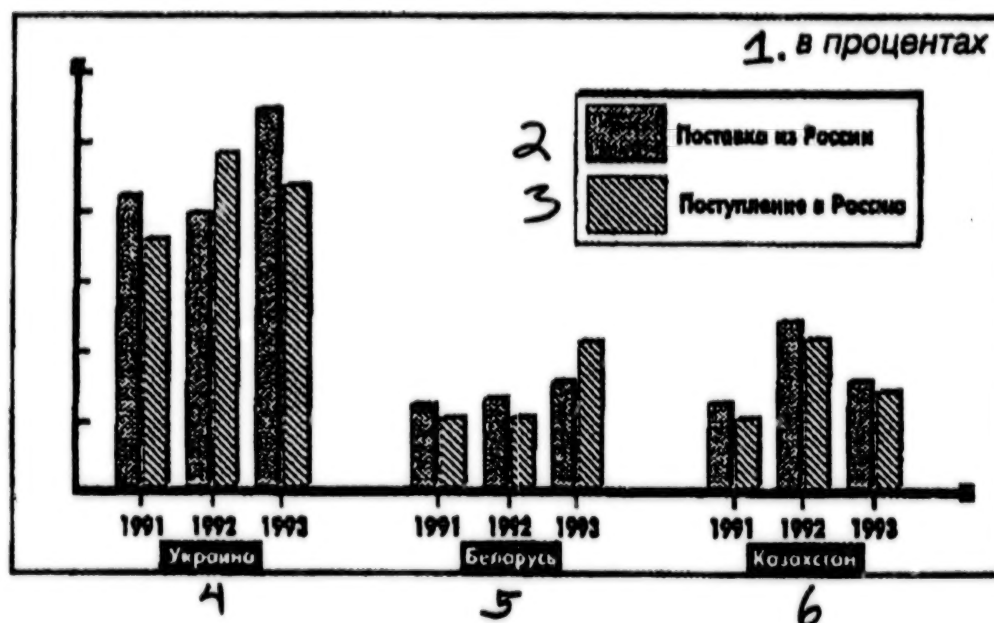
(Above based on Goskomstat [Committee for State Statistics] of Russia data).

**When the Issue Was Being Composed**

The large debt of Ukraine and Belarus to Russia caused a number of serious problems with deliveries of natural gas to these republics. If the debts are not repaid in a very short amount of time, a substantial reduction in these deliveries is possible.



## Change in Proportions of Main Trade Partners in Russia's Foreign Trade Turnover



## Key:

1. In percentages

2. Deliveries from Russia

3. Receipts to Russia

4. Ukraine

5. Belarus

6. Kazakhstan

**Nonpayments Have Gone Beyond the Borders of Countries and Encompass Enterprises Working Under Direct Ties**

By the start of 1994, overall creditor debts at enterprises of industry, construction, transport, and agriculture totaled R47.0 trillion. That included R16.4 trillion or 35 percent overdue. Debtor debts totaled R43.8 trillion, which included R18.1 trillion or 41 percent overdue.

Accounts with enterprises of the Russian Federation accounted for the largest part of the overdue creditor debts, R16.0 trillion or 98 percent. Accounts with enterprises of the CIS and the Baltic Region under direct ties accounted for R0.3 trillion or 1.5 percent.

Overdue debtor debts under accounts between enterprises of the Russian Federation came out at R16.5 trillion, or 91 percent of its total amount. Overdue debts of enterprises located on the territory of the CIS countries and the Baltic Region under direct ties with enterprises of Russia totaled R0.6 trillion, or 3.4 percent.

The following data characterize the condition of payment-accounts relations of enterprises and organizations of industry, construction, transport, and agriculture of Russia under direct ties with enterprises located on the territory of the countries which are members of the CIS and the countries of the Baltic Region:

Overdue Debts, (in billions of rubles)				
Country	Debtor Debts		Creditor Debts	
	As of 1 October 1993	As of 1 January 1994	As of 1 October 1993	As of 1 January 1994
<b>Accounts of Russia's Enterprises with Enterprises of the CIS Countries and the Baltics</b>				
Overall	479.7	619.5	224.5	252.9
Including with Enterprises of the Following Countries:				
Ukraine	172.3	208.5	95.8	96.5
Belarus	71.2	96.2	22.4	24.5
Uzbekistan	45.8	50.0	11.3	12.2
Kazakhstan	115.8	169.2	72.8	85.4

Overdue Debts, (in billions of rubles) (Continued)				
Country	Debtor Debts		Creditor Debts	
	As of 1 October 1993	As of 1 January 1994	As of 1 October 1993	As of 1 January 1994
<b>Accounts of Russia's Enterprises with Enterprises of the CIS Countries and the Baltics</b>				
Georgia	6.1	2.7	1.3	5.6
Azerbaijan	7.7	11.7	3.0	4.8
Moldova	0.1	11.6	1.6	3.4
Kyrgyzstan	6.7	7.6	1.5	1.1
Tajikistan	8.0	11.6	4.0	2.8
Armenia	2.3	2.7	3.7	4.2
Turkmenistan	19.1	29.1	3.0	3.9
Latvia	8.7	11.7	1.7	3.6
Lithuania	4.7	4.1	1.6	4.2
Estonia	1.2	2.8	0.8	0.7

**Kravchuk, Shevardnadze U.S. Visits Linked**  
944K0915A Moscow LITERATURNAYA GAZETA  
in Russian No 11, 16 Mar 94 p 9

[Article by Sergey Rogov, president of the National Security and International Relations Center: "The Near Abroad Is Interested in the Far Abroad: What Were the Reasons Behind Kravchuk's and Shevardnadze's Visits to Clinton"]

[Text] The recent visits to Washington by leaders of Kazakhstan, Ukraine, and Georgia show that Washington's attitude toward the former Soviet republics is beginning to undergo a serious change. On the one hand, this stems from the fact that the conduits of American foreign policy have found out that a number of new independent states can play a visible role in the international arena. This comes first and foremost from these states' claims on entire components of the Soviet nuclear legacy.

Ukraine and Kazakhstan have demonstrated that they are in no hurry to fulfill their commitments to turn into non-nuclear states. The Lisbon protocol on nuclear arms, in keeping with which Ukraine, Kazakhstan, and Belarus were supposed to become non-nuclear states, remained unimplemented. A real prospect emerged of the former Soviet republics nationalizing not only conventional arms and armed forces, but also strategic nuclear arms. These arms would enable Ukraine and Kazakhstan to become major nuclear powers and to a certain extent (since intercontinental ballistic missiles on their territory were intended during the Soviet period for the conduct of war against the United States) to present a threat to the United States as well.

It was the realization of a possible development of events along this scenario that prompted the Clinton administration to develop a more active policy in this direction, using mostly "the carrot method."

One has to say that the leaders of Kazakhstan and Ukraine have been quite successful in using the United

States' interest in resolving this issue to obtain the economic and political support they need and raise their status in the international arena.

In the case of Kazakhstan, President Nazarbayev's willingness to sign a nuclear nonproliferation treaty opened him the door to the White House. The Ukrainian position turned out more controversial. At the trilateral meeting of Presidents Clinton, Yeltsin, and Kravchuk in Moscow in January of this year, Ukraine reaffirmed its commitment to give up nuclear weapons, but has managed to successfully avoid precise formulae that would specify the time frame for making good on this commitment. It took additional efforts on the part of American diplomacy, including doubling the volume of economic aid that will be provided to Ukraine—to \$700 million—to get President Kravchuk to give more precise assurances regarding keeping his old promises during his visit to Washington.

The second factor that compelled Washington to invite the leaders of several new independent states is the emergence of a sort of an instability belt on the territory of some former Soviet republics. Acute political conflicts and civil wars in a number of them are beginning to affect the international situation as a whole. These conflicts are taking place along with the bloody war in Yugoslavia and show that with the end of the Cold War a greater part of the former socialist countries may become seats of tension, undermining the stability of the entire system of international relations.

At the same time, Washington is very suspicious of Russia's attempts to take upon itself the functions of a guarantor of peace and stability in the CIS countries, including the use of military means. The participation of the Russian Armed Forces in peacekeeping operations in the Dniester Republic, Abkhazia, South Ossetia, and Tajikistan raises fears in Washington that our country may be trying to restore the empire.

Many American politicians demand of the Clinton administration to make it clear to Russia that restoration of the empire by force is impermissible.

Shevardnadze's visit to Washington is a testimony to the United States' willingness to take a more active position with respect to conflicts on the CIS territory, and in particular in the Transcaucasus. Such an approach may eventually produce considerable problems in Russian-American relations. After all, Russia today claims at an official level a "special role" in the CIS, proclaiming practically all the former Soviet republics a zone of its vitally important interests. Naturally, the entry of a third country into Russia's bilateral relations with Georgia or any other republic will be perceived in Moscow with great dismay, even if that third country is the United States, with which Russia is, as was announced at the latest summit, in a "mature strategic partnership."

Judging by all signs, there has emerged a considerable gap between the declarations of strategic partnership between Russia and the United States and the real mechanism of interaction between the two states, a mechanism for reaching agreement on their interests. It appears that this gap not only is not diminishing, but keeps growing, making relations between two former Cold War adversaries extremely fragile. As the scandal in connection with the arrest of the Ames family on the charges of espionage in Washington showed, despite assurances of strategic partnership, Russian-American relations may be turned back and enter a period of cooling and alienation. And the recent visits to Washington of the presidents of Kazakhstan, Ukraine, and Georgia may present a cause for further complications in the relations between Moscow and Washington.

### **Russia, Uzbekistan Sign 'All-Encompassing' Cooperation Declaration**

944K0870A Moscow MOSKOVSKAYA GAZETA  
in Russian 3 Mar 94 p 1

[Unsigned article: "Russia and Uzbekistan Have Guaranteed Each Other to Observe the Rights of National Minorities"]

[Text] Yesterday in the Kremlin, Presidents Boris Yeltsin and Islam Karimov signed a declaration on the development and extension of all-encompassing cooperation between Russia and Uzbekistan.

In the document it is said, that "The Russian Federation and the Republic of Uzbekistan affirm their resolution unflinchingly to develop and extend all-encompassing cooperation in the interests of the peoples of both states, and to follow the course of reforming the economy and of democratic transformations." It is also affirmed in the declaration, that both states are striving to observe guarantees and the rights of national minorities, living both in Russia and in Uzbekistan.

Besides this, it is noted in the declaration, Russia and Uzbekistan are striving to strengthen "the coordination of their external political activity for the consolidation of world peace and security, paying special attention in this to cooperation in the regulation of regional conflicts and other questions, touching on the interests of both states." Russia and Uzbekistan will establish, in particular, "a mechanism for consultations in the interests of insuring the security of the foreign borders of participating states of the CIS."

In the agreement signed by the heads of state about military cooperation between the Russian Federation and the Republic of Uzbekistan, the parties affirmed the importance of agreement concluded on 15 May 1992 in Tashkent about collective security, and noted that "efforts to extend and perfect cooperation in the military sphere, and the development of the necessary legal basis for these goals," are continuing.

### **Effects of Domestic Politicking on 'Near Abroad' Policy Eyed**

944Q0237A Moscow OBSHCAYA GAZETA  
in Russian No 9, 4-10 Mar 94 p 7

[Article by Andrey Fadin: "Argument of Pragmatists and Restorers: About Who Would Best Reintegrate the Former Union"]

[Text] Whereas for Gorbachev domestic policy was to a certain extent merely a part of his foreign policy, for Yeltsin it has of a particular moment been to some extent the reverse: Foreign policy has become a most important object of domestic political struggle.

The treaty with Georgia, the policy of restoration of the presence in the Balkans in the Bosnian crisis, the agreements with Belarus and Moldova—these are merely

recent events that have been at the center of the political skirmishing. The harsh criticism of the government's steps on the part of a certain section of public opinion and the deputies might appear somewhat inappropriate, possibly, but only outside of the context of the actual struggle for power. After all, from the viewpoint of basic values and orientations the foreign policy of the "collective Yeltsin," in the "near abroad," at least, is hardly much different from the growing imperial mood of the Russian political class.

It needs to be clearly specified that we employ in this case the term "imperialism" and all that derives from it in a nonevaluative, "technical" sense—as a description of some complex reality of the hierarchical coexistence of ethno-state formations. In the particular sense (our short post-Soviet history affords ponderable grounds for this) that "empire means peace," and the "imperial" principle is objectively opposed to nationalism and signifies, at least, the preponderance of "nationalism of the soil" over "nationalism of blood." On the other hand, any pursuit of "national" (that is, state) interests by a great power inevitably incorporates such elements of the imperial principle as sphere of influence, sphere of special interests, and so forth. The great contemporary democracy, the United States, demonstrates a rational imperial policy in this sense.

In this sense the statement of service of neoimperial achievements of the regime is relatively impressive. Real military control over practically the entire territory of the former USSR has been preserved—in the sense that in no republic (the Baltic republics included) are there any foreign forces or military facilities other than Russian. The war in Tajikistan, the indefinite billeting of the 14th Army in the Dniester region, the presence of military bases in the Caucasus enshrined by agreements, the retention of the Black Sea Fleet, preservation of the nuclear monopoly on one-sixth of terra firma and military facilities and forces in the Baltic, real military control of the situation along the CIS perimeter, and pressure on its post-Soviet neighbors, increasingly effective on the whole, in favor of the introduction of dual citizenship—"what more do you want?"

The list could be continued, but even without this the story that Yeltsin is an agent inserted by the Politburo into the democratic movement for restoration of the USSR, which even recently seemed paradoxical, is becoming increasingly understandable.

The difference here between the positions of the "collective Yeltsin" and the opposition (if the Duma majority may be so called) remains fundamental. Whereas the opposition is oriented, in fact, toward the simple retention of the territories of the former empire (and in the unrealizable maximum, toward its restoration), the policy of the Yeltsin leadership is perfectly manifestly aimed at the neoimperial modernization of Russia's sphere of influence in the former USSR and contiguous countries, within the bounds of the objectively constricted possibilities of the present Russia, what is more.



If we are truly now observing the birth of Russian neoimperialism, a modernization of the sphere of Russia's interests in this logic would not signify either a restoration of the Soviet Union or an assembly of lands in the spirit of Ivan III. The "neo" suffix could mean primarily that influence should extend merely to the sphere of Russia's actual interests—military-political control, maintenance of the stability of interethnic relations, control over the main mineral resources, guardianship of local Russians, and so forth.

At the same time, on the other hand, this control would not entail the restoration either of the unity of the legal space or control over the extent of the powers of the local ruling elites or Moscow's former responsibility for maintaining a living standard in Uzbekistan, an infant-mortality rate in Azerbaijan or an educational level in Tajikistan somehow on a par with Russia.

Reality, however, is immeasurably more complex than our plans. The neoimperial trends in the policy of the Russian leadership are being manifested as a dotted line, residing alongside perfectly traditional approaches, which is strictly conditioned both by the pressure of the current crisis and the actual composition of the governing coalition.

The victory of the traditional industrial establishment in the government has afforded its leader, Oleg Soskovets, an opportunity to busy himself with restoration of the production engineering chains of Soviet industry currently severed among different states. The latter will be possible only with the restoration of the chains of the series of payments for orders, which have been severed today even more hopelessly than the production engineering chains, which, of course, is not so much an economic as a political matter—the main grounds for reconstitution of the ruble zone.

On the other hand, certain steps of the regime which seemed purely political (and even ideologically conditioned) have upon closer inspection an entirely material motivation. Participation in the civil war in Tajikistan is not simply a war for control over territory of the former USSR but also an aspiration to plug a hole on the border, the existence of which would require far greater outlays on the reconstitution of a nontransparent Russian border proper, and Tajikistan's admittance to the ruble space is the actual charge for this. And so forth.

Let us not forget either the interests of Russian big business, the "sharks" of which have learned to defend their interests with the cudgel of the Russian Government. The Azerbaijani Government had only to attempt to organize a consortium for the development of oil deposits without the participation of Russian corporations for the Karabakh army to tear toward the Iranian border, occupying a further two areas of the country. The Lukoil concern had to be urgently included in the consortium, after which the Azerbaijani Army was able to restore the lost territories in the course of a counteroffensive....

On the other hand, the motives of the regime's active policy in the near abroad are partially, truly, of the nature of a reaction to intra-Russian circumstances. The ideological vacuum in which the regime has found itself following the exhaustion of the potential of the liberal-market utopia is forcing it to seek ideological support in the deep-lying seams of the mass consciousness, which is in Russia imperial by nature. Essentially, under the conditions of the continuing unfolding of the economic crisis, only opposition to some external enemy can secure for Yeltsin powerful mass support within the country on the eve of presidential elections.

In turn, it is just as necessary for the opposition to portray Yeltsin's foreign policy as insufficiently imperial, capitulationist, ideally. In the political struggle the arguments are directed not toward the opposite side but toward the public—and are not, therefore, required to be just. A deplorable illustration of this trivial observation were the closed hearings in the Duma CIS Committee devoted to the treaty with Georgia which had been signed not long before this.

B. Pastukhov, deputy minister of foreign affairs, and representatives of other government departments, who presented the treaty in the committee, attempted to show that the treaty was in Russia's strategic interests, that Russia's departure from Georgia would signify the filling of the vacated niche by other powers, and that support for Shevardnadze was the best decision for Russia at this time.

But the deputies' criticism of the treaty was of a clearly anti-Yeltsin and, consequently, anti-Georgian nature. Accusations against the Georgian (!) side that it had violated the Sochi agreements and had endeavored to obtain Russian weapons to threaten its neighbors were heard. It was proposed that Russia not guarantee Georgia's integrity but act as an arbiter, as it were, between Tbilisi and the autonomies, that is, *de facto* constantly keep its hand on the throat of the Georgian state. The proposal for the drawing of a permanent line of demarcation in South Ossetia along the line of the actual control of the Russian forces (that is, *de facto* annexation of part of the territory) was heard also.

It is not important who personally gave voice to these sentiments—they are manifestly dominant in the political class and in society. A sociological survey of the Public Opinion Foundation on the attitude toward Belarus's affiliation to the ruble zone showed that a substantial portion of the Russian population is prepared to forgo to some extent its own living standard even for the sake of preserving a unified post-Soviet space.

Criticism of the policy of the regime in the "near abroad" remains, in fact, within the framework of values common to both those doing the criticizing and the criticized. It is more a struggle between those nostalgic for the irrevocable Soviet times of Moscow's full control over the republics and those who—intuitively, perhaps—are attempting to operate within the framework of the new sociopolitical and geopolitical realities.



## POLITICAL AFFAIRS

### Relation of Women To Politics Studied

944K0795A Kiev UKRAYINA MOLODA in Ukrainian  
25 Feb 94 p 3

[Article by Maryana Oliynyk: "Things are fine with the Finns, but what about us?"]

[Text]The sensational news about Zhirinovsky's triumph in Russia overshadowed, as some political pundits noted, the equally sensational victories of the 'Women of Russia' bloc. Contrary to skeptical predictions, the bloc received almost nine percent of the votes, coming close to the performance of LDPR [Liberal Democratic Party of Russia], Russian Choice and the Communist Party of the Russian Federation. Will Ukrainian women do as well?

Let us begin by examining the relationship of women to politics. First, consider some numbers in the report 'Women in Ukraine: A Political Portrait', prepared by Lyudmyla Aza and Lidiya Kononko. This report summarized the results of a national poll conducted last May and June by the Center for Democratic Initiatives; the center polled 1799 persons, 54% of them women.

The poll showed that, contrary to popularly held views, the gentle sex is just as interested in politics as men. True, only 7.3% of the women attend political meetings; twice as many men go to such meetings and three times as many men go to political conventions. However, women have been shown to be more influential and are much better at communication and public relations.

The poll further revealed that 83% of the women participate in political discussions and 78% claim an abiding interest in political issues.

Finally, the poll indicated that 46.6% of the women do not trust the current parliament and 41.9% mistrust the government. The corresponding figures for men were 55.2 and 46.4% but, after all, we women are more trusting. This may be interpreted to mean that women want a change. This poll was quite selective—1677 of the respondents came from Kiev and 102 from other cities—but revealed that equal numbers of men and women—52%—have decided to vote. Other revelations were that 35% of the women and 29% of the men will not vote, and 13% of the women and 19% of the men remain undecided.

In selecting candidates for office 49.8% of the women felt that they should be proposed by workers' collectives, 26.3% think that they should come from the electoral districts where they live, and 10.5% feel they should be nominated by political parties, although they are mistrusted by 64.4% of the women polled (and 63.2% of the men). Nevertheless, women are prepared to support those parties and social groups that support women's issues. Evidence for this can be gleaned from the results in Russia where the 'Women of Russia' bloc brought together the Union of Russian Women, Union of

Women Entrepreneurs, and Union of Army and Navy Women. The 'Women of Russia' bloc is not a political party as such and has no political ambitions. Alevtina Fedulova, the leader of 'Women of Russia', has never portrayed herself as a president of Russia. Nevertheless, 'women of Russia' attracted women with an understanding of women's issues and problems. As noted by one journalist, the liberal-democratic party "Men of Russia" attracted support from young men terrorized by the need to earn a living with promises to eliminate this evil threat. The purpose of 'Women of Russia' was simply to give hope to women that someone was concerned about them in that male-dominated world.

The poll also demonstrated that political and legal awareness is generally low in both men and women: 60.2% of the women in the poll could not differentiate between majority, proportional or mixed electoral systems. Nevertheless, interest in politics is growing despite these obstacles.

The study also put to rest the impression that only lonely women without a full life are interested in politics. Marital status did not influence interest in politics, and the latter was not a substitute for a family life. Family responsibilities and concerns for the future of their children actually provided a stimulus for political activity, an observation confirmed by the conference of women's organizations held in Kiev at the beginning of February.

The fact that such a conference took place—the first of its kind—speaks volumes. Participants in the conference included The Women's Union, Union of the Ukrainian Women, All-Ukrainian Committee for Child Care, the League of Mothers and Sisters of Soldiers, Ukrainian Women's Christian Party, Union of Soldiers' Mothers, Ukrainian Center for Women's Studies, Union of Multiparous Mothers, the Kremenchuk organization Our Home, and so forth. They discussed such critical issues as low pay, high prices, child health, life experiences, and the hopelessness of waiting for help from the 'strong sex'. President Kravchuk's message to the conference contained the following sentiments: "Today, as we are engaged in state-building, Ukraine's future rests—without doubt—on the willpower, wisdom, and commitment of our women!" As the consummate gentlemen, President Kravchuk wanted to please the ladies. But his words found fertile ground, the stage was set, and the women decided to present a unified political front in the upcoming elections.

A special seminar was held on selecting a slate of candidates for parliament. Current laws preclude social organizations from proposing candidates, but they were proposed with support from workers' collectives and groups of voters. For example, the Union of Ukrainian Women fielded more than 60 candidates, including its leader Maria Orlyk. Although the final figures are not in, out of some 5833 candidates the number of women is small. The female contingent includes deputy Larysa Skoryk, the authoress Rayisa Ivanchenko, the lawyer

Lyudmyla Vansovska, and a number of scientists, entrepreneurs, politicians and so on.

In the historical sense, the Ukrainian woman has always been enjoyed a place of importance. When did she lose her leading role and how?

It seems the problem begins early in life. Initially girls assume leadership roles and do better in school than boys, but in time they are relegated to the back burners as they grow older and the social structures become more complex. Women are deprived of the experience and skills to advance and are limited to participation in the 'women's movement', which elicits ironic complaints about 'emancipation'. Still, women are allowed to engage in heavy physical work by the 'stronger sex', its just that the rarefied atmosphere of high-level politics is out of bounds.

In the final analysis, women are faced with a struggle to regain what they lost.

Moreover, the concept of a 'women's movement' seems somehow demeaning. Why is there no need for a 'men's movement'?

The concept of quotas for women in elective offices is also denigrating. I agree 100% with Levko Lukyanenko who categorically rejected parliamentary quotas for women in favor of fair competition. Men have to learn to accept women who are politicians, directors, experts and not treat them as rare exceptions for whom special allowances must be made. During Soviet rule quotas were set for women and women simply copied and reflected male norms in politics. This paternalistic attitude must change and room made for the more caring and nurturing 'maternal' milieu.

As one speaker at the conference noted, women must not simply fill positions allocated to them, but actively seek the highest reaches of leadership. Women and men need to combine their forces, energies and talents for the common good. One can understand why our present parliament—with only 13 women—often finds itself in a dead end. In Russia the creation of the 'Women of Russia bloc has been called—by women, of course—the most important and positive development in recent times. Countries in which women hold a high political profile, such as the United States, Canada and the Scandinavian countries, enjoy stability and have better economies, health care, and social services. In Finland even the minister of defense is a woman, a thing hard to imagine happening here. She—Elisabeth Rehn—ran for the presidency of Finland and almost won against Ma-tti Ahtisaari. Nevertheless, her defeat is still interpreted as a great moral victory for the Finnish people since it demonstrated that politicians are judged on their abilities and not sex or nationality (Ren is a member of Swedish National Part of Finland). A day after the presidential elections the Finnish parliament elected a 51 year old woman as its speaker, Riitta Uosukainen, a representative of the Conservative Coalition Party and minister of education, while Saara-Marja Paakkinen, a

social democrat, was elected the first deputy speaker. There is a large number of women in the 200 member Finnish parliament and about a third of the government posts are occupied by women.

That is the way things are in Finland. Unfortunately, not too much can be expected from our elections on March 27. Our women lack the organization that the Russian women have created and our people lack the open-mindedness of Finns. Still, we can look toward the future.

### Parliamentary Candidate Skorik Interviewed

944Q0255A Moscow NOVOYE VREMYA in Russian  
No 10, Mar 94 (signed to press 5 Mar 94) pp 18-19

[Interview with Larisa Skorik, candidate for deputy of the Supreme Council of Ukraine, by NOVOYE VREMYA correspondent Georgiy Osipov, special for NOVOYE VREMYA; place and date not given: "Larisa Skorik: 'I Wish Kravchuk Would Be Firmer'"]

[Text] Our correspondent Georgiy Osipov has discussed problems of Ukrainian statehood with the "Iron Lady" of Kiev.

Doctor of Architecture Larisa Skorik came to politics five years ago with the "perestroyka" wave, and has been one of the 10 leading politicians of Ukraine ever since. She, the only woman in the political establishment of Kiev, has once again joined the election race: Parliamentary elections will be held in Ukraine on 27 March.

[Osipov] Larisa Pavlovna, as far as I know, you now have a lot of much more "eternal" business than current politics—the construction of several churches you have designed, students at the Art Institute, and, finally, three grandchildren.... Nonetheless, you are once again in the whirlwind of the political fight. What drives you?

[Skorik] We recall 100 times a day a dictum by Ivan Franko, who said that if something is to be done for the people, after all, then it should be out of a feeling of duty rather than out of love, because apparently there is nothing for which to love the people in their entire postcommunist variety. I feel that I must engage in politics and can do something genuine in the corridors of power, which few people are determined enough to walk to the end. During these four years I have completely lost all fear; my political rating is of absolutely no interest to me, and I allow myself to say things that may affect my political image quite adversely.

However, there is also such a thing as love for the lofty spiritual concept which is the driving force of all of my actions, which is called the statehood of the Ukrainian nation.

[Osipov] To your mind, what must be done for this abstract notion to acquire visible, specific features?

[Skorik] What is happening now in politics almost does not reflect what is happening "within." Look at Russia:

A bitter power struggle is underway there, but there are no political forces that would have an unfavorable attitude toward the very notion of Russia as an independent state, whereas in Ukraine a majority in the parliament is almost hostile to the fact of the existence of Ukrainian statehood.

For many years the thirst for Ukrainian statehood was thoroughly suppressed in our society. This thirst is merely beginning to come back to one segment of the population, whereas the other is at best indifferent to the national idea. I am referring to the almost 10 million population in Ukraine whom Moscow has branded "the Russian-speaking population," and whose rights Russia, in keeping with its military doctrine, intends to defend at any point on the globe. It is not surprising that they gravitate somewhat toward Russia.

I often recall General Yermolov's words to the effect that fortresses are not taken by assault but rather by intrigue and bribery within. I see Ukraine as a fortress that they wish to re-annex to the empire in precisely such ways—certainly, peaceful ways! I think that this will not benefit either the "elder brother" or the "younger brother."

[Osipov] In Kiev I have already repeatedly heard from all kinds of people who sincerely feel for an independent Ukraine that the current "party of power" has managed to compromise the very idea of Ukrainian statehood for many years to come....

[Skorik] These people are naive, although sincere. Many of those whom they mention unfavorably, including the speaker of the current Supreme Council Ivan Plyushch, are possessed solely by the instincts of their own lust for power, and are by no means bound by the idea of Ukrainian statehood. As far as the idea of Ukrainian statehood is concerned, it is impossible to compromise it for the simple reason that we have barely begun to implement it.

[Osipov] What would you like the Ukrainian state to be?

[Skorik] Europeans see the state as a protector of their own originality rather than a transgressor against it. This is precisely what I would like an independent Ukraine to be, because by all indicators it gravitates toward Europe rather than toward Asia, despite the fact that this feeling of belonging in Europe was thoroughly suppressed for many years.

In purely political terms, I see Ukraine as a presidential republic, not a presidential-parliamentary republic, because all our woes are rooted in this mix, but precisely presidential. The president should appoint the prime minister and form an effective government, rather than the Supreme Council with its comical notions of its powers. Separation of power should exist only at the highest, statewide level, whereas all other levels should be permeated by strong presidential power.

[Osipov] To your mind, on what does the greatness of a particular state hinge at present?

[Skorik] As I see it, on the percentage ratio of the entire mass of society and its elite; the higher the percentage of the elite, the greater the state may believe itself to be. To me, the elite is not just the intelligentsia; it is the people who have a highly developed feeling of their own dignity, they excel, they are virtuosos, if you will, in all endeavors, no matter what social stratum they belong to. However, the Ukrainian elitist tradition is not continuous. For many years the Ukrainian elite, like, say, the Georgian, Lithuanian, or Latvian, worked to create the Russian elite.

[Osipov] You were born in Galicia, which has always played an absolutely special role in the political and cultural life of Ukraine. How do you see this role at present?

[Skorik] About 40, and perhaps even 20 years ago, Galicia was a Ukrainian Piemonte of sorts. It held a particular position in terms of the level of national awareness and weight of the elite which I have already mentioned in its society. Galicia was considered to be the guardian of the Ukrainian spirit. This was due to the relative proximity of Europe and the almost 100 years of contacts with the cultured, developed, and, by the standards of its time, even relatively democratic state which was the Austro-Hungarian Empire.

However, the last useless decades have left an imprint on Galicia, too. I, a native Galician who has by now lived half of my life in Kiev, feel it particularly keenly. I am alarmed about people who have come to power there during the time of the latest changes, who call themselves democrats and who, not being such at all, have quite successfully compromised the idea of democracy rather than the idea of Ukrainian statehood. Galicians have been disappointed in the local authorities, but at the same time, they say deliberately: We are prepared to endure a great many things as long as we are certain that our state will not be betrayed, will not be lost, and will not be reduced to slavery again.

On the whole, I believe that Ukraine is one and indivisible, and I think that the division into Eastern and Western Ukraine, into Novorossiya, will disappear soon.

[Osipov] At one time you proceeded hand in hand with many politicians of a democratic orientation—your fellow Galicians. Please recall the case of Stepan Khmara, who was seized in November 1990 in an underground crossing at Independence Square (at the time, it was still the Square of the October Revolution) for allegedly attacking a militia functionary. You defended Khmara even when the OMON [Special Missions Militia Detachment] stormed his hotel room. Khmara now says that he has two opponents in the elections—the communists and Larisa Skorik....

[Skorik] I have long known that Stepan Khmara is a person very different from myself; however, that feeling of duty, which stands above everything in my life, except for love of architecture and art, prompted me to defend him as "our" man. At the time, Khmara played the role



of an innocently victimized national hero, which was very flattering to him and suited him very much. However, at the same time, the "Khmara affair" gave the authorities of the time a pretext to mount an attack against our entire democratic camp, by then quite extensive and relatively steadfast. I continued to fight when everybody had grown tired of manifestations and court proceedings and abandoned the struggle for Khmara's liberation. It was just that I needed to win this case for the overall democratic bloc. The personality of Stepan himself has never been a mystery to me, but at the time, he was one of our people.

[Osipov] One can also frequently hear it said about you that you have betrayed the overall democratic cause, gone over to the side of Leonid Kravchuk, and generally changed very much as a politician during the last two years....

[Skorik] I have not changed one iota during these years. It is just that I am an advocate of statehood, and the building of a Ukrainian state is the objective and foundation for my political activities. Everything was very clear and precise when things that were preventing the budding statehood from gaining strength had to be swept out of the way.

When revolutions end, it is necessary to act in a different way. My relationship with Leonid Kravchuk did not get anywhere as long as he belonged to the Communist Party and headed the Supreme Council of a state belonging to the USSR. However, after the famous State Committee for the State of Emergency, he sensed that the [Ukrainian] state could become a reality. Kravchuk is not one to rattle his saber in vain. When I ascertained that of his actions were aimed at preservation of an independent Ukrainian state, I supported him. Moreover, no matter what my relationship with someone is, I am prepared to support everyone who acts to the benefit of the Ukrainian state.

I just laugh when our ultrapatriots or communists say that Kravchuk betrays the interests of the Ukrainian state. If so, why did he have to introduce the national currency, begin the building of the Ukrainian army, and refrain from signing the CIS Charter? Was it in order to bring Ukraine into a new Soviet Union on a new, Susanin-like path?

Incidentally, Mr. Zhirinovskiy has also acknowledged the credit due our president by saying that Kravchuk, who broke apart the USSR, is the very first person who should be destroyed in Ukraine.

If his activities begin to proceed in a different direction, I will undoubtedly join the ranks of his most categorical and intransigent opponents. Building a state is not like playing games; this calls for political maturity, a cool mind, and substantial training. It is a great pity that such politicians are extremely few among those who habitually call themselves democrats.

[Osipov] Will the situation in Ukraine change for the better after the elections of the parliament and the president?

[Skorik] I do not have any doubt that the new Supreme Council will be better than the present one, because it is impossible to conceive of it being worse. It will most likely be quite different, it will have a quite different sentiment—to not interfere with absolutely everything, from the dismissal of ministers to the appointment of joint-stock company directors, but instead to form firm executive structures.

To my mind, presidential elections are absolutely not needed at present: I do not see a single worthy candidate among those who crave the presidency. Being the president of Ukraine is an unenviable lot, and I would wish that Leonid Kravchuk would be a bit more decisive and firm in building a new system of power.

### Current Political Scene Surveyed

944K0876A Moscow OBSHCAYA GAZETA  
in Russian No 10, 11 Mar 94 p 7

[Article by Maksim Rozumny, UNIAN, special for OBSHCAYA GAZETA: "Ukraine: 'A Savior of the Fatherland' Is Needed"]

**[Text] Leonid Kravchuk's announcement of his unwillingness to put forth his candidacy in the July presidential elections has evoked numerous interpretations and absolutely contradictory accusations on the part of political opponents.**

The current situation is really not too clear and definite. The Supreme Council is awaiting its own reelection. Perhaps those 194 deputies who proposed their own candidacies for a new term are exactly the ones who constitute its capable nucleus. Because those who want to be reelected have the best chances of this today: It is not so much that people are yearning for changes for the better as that they are afraid that things might get worse. In the event the elections are not held, the old staff will hardly be able to work for several reasons: as morally antiquated, the continuous lack of a quorum, and in connection with inadequate representative political forces.

There should be no place for illusions regarding its participation and the current composition of the government that is headed by a temporarily acting premier. Finally, after Leonid Kravchuk's announcement, serious doubts have surfaced about the reliability of and prospects for the president's vertical chain of command. State authority in its full structure attested to its temporariness, which is analogous to an acknowledgment of its ineffectiveness already today.

The impression is being created that all the participants of the long and exhaustive struggle for the real levers of control that was waged from the day of acquisition of independence have simultaneously become deathly sick

of each other and of themselves and, therefore, have said in typical Ukrainian philosophical manner: "Go to hell!"

As a matter of fact, moral fatigue is truly a dominating factor at all stages of Ukrainian post-Soviet society. But according to physical and metaphysical laws, the obvious cessation of the struggle and movement denotes only their transition to new forms. Thus, the present political entropy which, it seems, even the political campaign is not in a condition to stop, may, in our opinion, have two explanations.

It is possible we are observing the last stage in the building of a national state in the style of the well-known anecdote about how it was recommended that a Ukrainian be a tsar: He ate one goody after another, loaded up on goodies, stole 100 rubles [R], and ran away. That this happens with an inexperienced and dispirited elite was shown to me not only by our historical experience, but also by a parade of objections to sovereignty that started in Minsk, the capital of the CIS. It is difficult to judge how much the Ukrainian nomenklatura and directorate matured before returning under the influence of the Moscow boss, but the program provisions of the Kuchma-Grinev bloc talk of a readiness to go the Belarusian way. Under these conditions, Kravchuk should take the lessons of Shushkevich into account and be concerned that catapulting from a doomed aircraft should occur with the necessary solemnity and caution.

The second version of that which prompted Kravchuk to make a "move with the knight" lies in the recognition that the domestic political factor and not the foreign factor is decisive. The struggle for the Ukrainian mace is not ending, but it is undergoing a certain transformation. New rules in this case are being written for new players.

The popularity rating of Ukrainian politicians "tells" the collapse of the political system. When not one of them is able to count on the trust of at least a fifth of the population, it becomes understandable why there is no elementary order in the country. The existing situation is a consequence, first of all, of the defeat of the old nomenklatura, which in the person of the president received exceptionally authoritative powers two years ago. The fact that Leonid Kravchuk in the matter of trust actually was the equivalent of his primary competitor, Vyacheslav Chornovil, leader of the people's Rukh [Ukrainian People's Movement for Perestroika], and former Prime Minister Leonid Kuchma is a very alarming symptom for the "party in power" that he heads. This means that the categories of national intelligentsia and economic managers of the middle echelon that are traditionally under control are coming out from under the heel of the nomenklatura and, very likely, will seek an alternative source of power.

It is interesting that the one and same nomenklatura in an almost unchanged personnel structure has already suffered defeat twice before our eyes—first under the guise of the communists, and later also under the sign of the national-democrats.

In addition, the righteous anger of the "fathers of the nation," who in both cases consecrated the ruling structure with their lyrical-epic talent, looks rather comical. The participants of the so-called Assembly of the Intelligentsia of the City of Kiev held on 26 February frequently drew an analogy with the first Rukh congress, which occurred in the very same House of the Cinema four years ago. The former passion returned to the leaders of national-democracy (chairmen were Ivan Drach, Les Tanyuk, and Levko Lukyanenko), and once again one could hear summons for a decisive struggle with the "occupying administration," but the populist audience did not bring this out of a state of deep inertness.

There are other attitudes and other problems in the corridors of power. President Leonid Kravchuk and Chairman of the Supreme Council Ivan Plyushch cannot cope with their competitors in a direct sense. They only represent different administrative models. Kravchuk tried to conduct a strict executive vertical chain of command that would possess the public levers of influence and rely on the authority of the nationally elected president. However, it is difficult to impart the norms of an open society to our society, and especially to the officialdom of the lower and middle echelons.

But this is exactly the sphere of Ivan Plyushch's competence, the master of the apparatus game and concealed control levers. The amorphous system of the representative organs is the best ground for the nomenklatura coverup, with which the idea of state power is traditionally identified in our country.

However, this is by no means a reason for quarrels between Leonid Makarovych and Ivan Stepanovych. They have common corporate interests and different spheres of realization of personal ambitions. This means that common decisions are not only possible, but also natural. It is precisely this that the statement of the president should indicate. It is difficult to guess what his true intentions are now.

In the logic of events, both the new membership of parliament and the new president, who could be elected in the current situation, should win authority with a sharp negation of the existing regime. Therefore, both these and other elections for the "party in power," let us put it this way, are not opportune. At the same time, it is impossible to disrupt them openly, as this puts the cards in the hands of the opposition. It is better to "let it drop."

All of this evoked a new wave of emotions and a new stream of reproaches. This time Kravchuk is accused by all sides of a lack of political will and betrayal of national interests. But at the same time public opinion, imperceptibly to itself, is already beginning to perceive the far from indisputable claims of the president as an objective reality, and the problem of elections falls by itself..

Kravchuk's statement literally has forced everyone to look into the abyss: By it the chaos and fragility of the



political situation have been brought to a culmination. And this is an ideal condition for the appearance of a savior of the fatherland.

### **Kuchma-Hrynyov Bloc Weak in Zaporizhzhya**

944K0928A Lvov POST-POSTUP in Ukrainian  
No 4, 5-10 Mar 94 p A4

[Article by Yaroslav Falko, Zaporizhzhya: "The Motor-Sich Aircraft Engine Plant Has Converted To Producing Ukrainian People's Deputies"]

[Text] Adhering to a long-time Zaporizhzhyan conviction—The more atamans [chiefs] there are, the better it is for the Cossacks—the voters in this oblast put up more than 200 candidates for the office of people's deputy; that is almost 15 candidates for each of the 18 election districts. And in the Sich, at the very heart of European-type democracy—the Leninskyy Rayon of Zaporizhzhya—the electoral commission registered as many as 30 candidates. More than 100 persons had originally been put up there. One contender has already died.... The activists in election matters complain that most of the candidates cannot even write up their own biographical sketches without making mistakes. They need to work on their A,B,C's....

An analysis of the pre-election lists leads us inevitably to the following conclusion, which may seem paradoxical at first glance: The nomenklatura of the local power structure has, in effect, withdrawn itself from contention for the deputies' seats. Not a single presidential representative is on the ballot, nor are any chairmen of local or rayon councils. Not even those bureaucratic officials of the state administration, who have not withstood the temptation to scamper off to Kiev, have any desire to beat their own bosses soundly. In a country where elections are won by the group that organizes them such behavior in Zaporizhzhya by the "party of Kravchuk" and the "party of Plyushch" must seem surprising at the least. However, their tactics may be easily explained: The nomenklatura here does not wish to win the elections; it intends instead to lose them. And that certainly does not require much effort. Inasmuch as an outright victory by any one candidate on the ballot in Zaporizhzhya seems highly doubtful in the first round, the second round could indeed put an end to these elections with all the hustle and bustle around them. The people in Zaporizhzhya might very well ignore their obligation to go somewhere and vote for someone for a second week in a row. And unless two-thirds of the body of deputies has been elected after these two rounds, the elections may be deemed a political nullity. In that case the present-day Supreme Council would automatically continue its powers of office—an eventuality which would fully suit the nomenklatura of Plyushch and Kravchuk. At present they are more concerned with the elections to the local councils—elections for which they must, indeed, prepare. And in order to prepare, they need a time-out....

Under such conditions the deputies' seats will be divided up amongst themselves virtually without a struggle by the agrarians and the clan of industrialists (if, indeed, the elections take place at all). Judging from how very carefully the card game of solitaire for the election districts has been laid out from the "left-wingers," it has become understood that these elections are being directed from a single center. This center is, without a doubt, the headquarters staff of the "party of industrialists"—the gigantic Motor-Sich Aircraft Engine Plant, which is headed up by General Director V'yacheslav Bohuslayev, who is also president of the Inter-Regional Association of Industrialists. This association combines the industrial structures of seven oblasts in the southern and eastern portions of Ukraine. It claims the status of an independent organization, although—at the same time—it is contriving to join up with the Ukrainian Association of Industrialists and Entrepreneurs.

It is interesting that the largest party organization in Zaporizhzhya—the Labor Party—which was created, incidentally, by the above-mentioned Inter-Regional Association of Industrialists—put up only four persons as candidates. This party's leaders have taken a different path. Taking note of the fact that Zaporizhzhys have traditionally leaned toward communists and socialists and that the Labor Party is little known by the "work collective," they have recruited a large number of recent party organizers from various enterprises.

Zaporizhzhya is probably the weakest link in the Inter-Regional Bloc for Reforms. Leonid Kuchma is regarded quite coolly here, especially because he chose Volodymyr Hrynyov as an ally. Furthermore, the Zaporizhzhyan industrialists have their own influential leader—the above-mentioned director of Motor-Sich, Bohuslayev, who has laid claim to primacy throughout the entire southern region of Ukraine. As we have learned from the corridors of political power, after Fokin's resignation, Bohuslayev's name—along with that of Kuchma—was prominent in the lists of contenders for the position of prime minister.

With regard to Volodymyr Hrynyov, he is an extremely unpopular person in Zaporizhzhya—regardless of the fact that this oblast is a Russian-speaking one, i.e., with quite a high percentage of ethnic Russians. It is noteworthy that, when he ran for the office of president, Hrynyov garnered less than 1.5 percent of the votes. He is not supported either by the Zaporizhzhyan entrepreneurs or by the industrialists. Volodymyr Hrynyov intends to rely on the president of the Zaporizhzhyan Commodity Exchange, Kalika, although it seems the he does not have very much support from that quarter either.

The national-democratic parties have virtually no chances in Zaporizhzhya. They lack any dazzling, charismatic leaders. The overwhelming majority of them live by old slogans, which are quaint and ridiculous in the environment where the average Zaporizhzhyan citizen lives. If in the Kam'yansko-Dniprovskyy Rayon victory

is gained by the candidate from Energodar—the site of the Zaporizhzhyan nuclear specialists, in the Komunarskyy Rayon of the oblast center—by the Zaporizhzhyan capitalist, Petro Saboshuk, and in the Leninskyy Rayon of Zaporizhzhya—by the leader of the parliamentary faction of the PDVU [Party for the Democratic Rebirth of Ukraine], Ukrainian People's Deputy Serhiy Sobolev, then it can be considered that the national-democrats will have succeeded in gaining 3 out of the 18 seats involved here. The remainder of the "travel passes" to the Supreme Council will be divided up approximately equally among the "party of the state directors" and the agrarians. By the way, that is also the present-day composition of the Zaporizhzhyan body of deputies.

### Emigration Trends Discussed

944K0857A Kiev MOLOD UKRAYINY in Ukrainian  
4 Mar 94 p 1

[Article by Volodymyr Oliynyk: "The Ukrainian Emigrant. Who Is He?"]

[Text] "A conservative mentality and the fact that they are unaccustomed to travelling far from home will probably keep Ukrainians from leaving the country en masse as long as they are not forced to do so by extraordinary circumstances. This does not, however, exclude the possibility of a rise in mass migration in the future, if Ukraine's living standard remains lower than that of other countries." "The Emigration of the Population of Ukraine: Socioeconomic Aspects and Possible Consequences," scientific report by the National Institute for Strategic Studies, December 1993.

### WHY ARE PEOPLE PACKING THEIR SUITCASES? BLAME THE CRISIS... AND JOURNALISTS

The economic crisis is responsible for the fact that lately more and more Ukrainians are packing their suitcases in order to make a break for the West. Sociologists, however, also explain this as a reaction to the earlier ban on travel, as well as the effect of propaganda in the mass media, which has replaced the harsh criticism of "their way of life" with something approximating idealization, thereby creating new ideals in the consciousness of Ukrainians.

Yet the underlying reason for emigration is the fact that the living standard of our countrymen is significantly lower than of people in neighboring countries. Given that the average wage here is no more than 10 dollars per month, that the social guarantee of housing that existed in the period of "developed socialism" no longer exists, and that hyperinflation reigns, most potential emigrants are now giving thought not only to their prosperity but also to the prospects of having a job a year or two from now.

Last year, the number of unemployed people in Ukraine increased tenfold, and this takes into account only those

who have registered officially. Both Ukrainian and foreign experts predict that there may be from two to three million jobless in Ukraine by 1995.

Ecological problems also stimulate emigration; the Chernobyl catastrophe encompassed a territory populated by three million inhabitants. People who were forced to abandon their homes are quick to decide to leave the country forever.

When we compare the results of sociological studies conducted in 1990 with those conducted in 1992-93, we find that, unfortunately, the desire to emigrate is growing among the population of Ukraine. According to a survey conducted by the International Migration Organization, 83 percent of respondents in Ukraine cited worsening living conditions during the last three years (67 percent in Russia), and nearly the same proportion of respondents do not believe that the situation will improve in the near future. The most troubling aspect of these statistics is that one-third of those surveyed who are planning to emigrate is comprised of young people, who give as their reason for leaving their inability to realize their potential in Ukraine. This attitude is especially widespread among people under 20 years of age (41 percent), the intelligentsia (42 percent), and students (40 percent).

As part of a wider study, researchers conducted short interviews with people who were leaving the country at railroad and airline ticket counters and outside the embassies of the United States, Germany, Israel, and Russia. Nearly 90 percent of those surveyed said they were prompted to emigrate or leave the country for a temporary period of time by dissatisfaction with the material conditions of their life. Sixty percent cited concern for their children's future. The conclusion is not a happy one. The results of the survey indicate that of the 29 million working-age inhabitants of Ukraine, nearly half may become migrants and three million may permanently resettle. Add to this other members of their families...

### NO ONE KNOWS HOW MANY HAVE ALREADY LEFT. PERHAPS IT IS BETTER THAT WAY...

You will not find the number of emigrants at either the Ministry of Labor or the Ministry of Nationalities and Migration. The statistics kept by the offices of visas and registration of the Ministry of Internal Affairs are seriously flawed. To begin with, there is no information regarding how many citizens who received permission have actually left, and no data has been kept as of January 1993 on temporary travel abroad for personal reasons. The state has virtually stopped all forms of registration of those leaving the country—a policy that can hardly be called far-sighted. After all, it is essential that information on how many citizens have left or are leaving and to what destinations be taken into account both in domestic socioeconomic policy and in international affairs.

At first glance, this does not seem to be a very serious problem. In reality, these things are much more complicated. If Ukraine is an European state, as our politicians are fond of stressing, then why is it not concerned about the image that is projected by the thousands of its people receiving assistance "over there" who ask for help when they find themselves in dire straits. According to data provided by the Polish press alone, close to 200,000 former residents of the USSR are working in Poland illegally, the majority of them Ukrainians.

#### LABOR MIGRATION, OR IN SEARCH OF EARNINGS

Experts predict that the rate of temporary migration in search of work will rise rapidly and will attain a level of nearly two million annually. The breakdown of this process will look as follows: For the most part, those who leave will be highly qualified specialists, scientists, artists, sportsmen—predominantly people with a higher education, who are established professionals, ranging in age from 30 to 40 years. In other words, the nation's scientific and production elite.

Most of the people who will remain abroad for several years will work there on the basis of legal contracts. The second group will consist of young people, mostly single men without sufficient education and professional training. They are now working and will continue to work abroad without the necessary permits at seasonal, temporary, low-prestige jobs. Even when qualified, they often settle for the most physically demanding labor. Unprepared, lacking professional and language training, lacking information about living conditions abroad, our countrymen most often find themselves on the lowest rung of the social and professional scale. Western employees do not see a big difference between exploiting a semiliterate Asian and a qualified but impoverished Ukrainian. So far, Ukraine has not joined the multilateral international legal instruments governing migrants that would improve her citizens' living conditions in the countries that have taken them in.

#### Peasants Party Election Appeal

944K0898A Kiev NEZAVISIMOST in Russian  
11 Mar 94 p 3

[Appeal from Peasant Party of Ukraine and Party Candidates for Supreme Council Deputy Seats to Citizens of Ukraine]

[Text] Esteemed Citizens of Ukraine!

The nomination phase of the Supreme Council election has come to an end. The campaign has entered a new stage—meetings of candidates for deputy seats with the voters. This communication should result in a common acknowledgement of the need for the most resolute steps in the renovation of the supreme bodies of governmental

authority, so that they will be capable of making genuinely national policy, returning security, hope, and abundance to each family, protecting low-income strata, and defining the conclusive strategic guidelines of Ukraine's development.

This is the time when you, dear Voters, will be asked to support the platforms of different political parties and movements and will decide the future of our state and our life! Each and every party is promising improvement, prosperity, and progress. In view of the total collapse of the economy, galloping inflation, flourishing corruption and crime, and the indigent state of much of the population, the platforms of all parties and movements seem appealing, and this will complicate your choice.

It will be important to make the right choice and to express support for the campaign platform defending the vital interests of the people, a platform accessible, agreeable, and comprehensible to the people who create the state's national wealth with their labor. This is the kind of platform we propose—the candidates for deputy seats in the Supreme Council from the Peasant Party of Ukraine (SelPU).

Our main goal is the establishment of the necessary political conditions and constitutional guarantees for the revitalization of the national economy through the development and stabilization of agriculture. At this time, only the vigorous development of agricultural production and related branches of industry can prevent the absolute disintegration of the economy, put an end to poverty and the degradation of society, and lay a strong foundation for the accumulation of capital and for emergence from the state of crisis. The economic and social reforms our party proposes are dictated by our daily life. They reflect the ideas and wishes of the peasants, workers, employees, and members of the intelligentsia who are still sowing and reaping, building homes and schools, and teaching and training our children in spite of incredible difficulties.

The Peasant Party of Ukraine advocates the further democratization of society. The equality of all citizens, irrespective of nationality and of social and educational status, should guarantee the construction of a modern civilized state. This should also be the goal of the present campaign. We feel that actions capable of causing ethnic discord and confrontations should not be part of this campaign. Instead of looking for enemies, we must work together to unite all of the people who love Ukraine.

Esteemed Voters! The consequences of your choice will be so pivotal! By supporting the platform of the Peasant Party, you will create new opportunities for the economic revitalization of the rural community and, consequently, of all Ukraine! We hope that our nomination of members of the laboring public, people who know the value of labor and who can and will work for the good of society, as candidates for the deputy seats in the



Supreme Council, will evoke the appropriate feelings of approval and support in your hearts!

**You have done us a great honor, and now we are ready and willing to take responsibility for the future of Ukraine. We are relying on your support in the election on 27 March 1994!**

#### Peasant Party Head Gives Stand on Issues

944K0898B Kiev NEZAVISIMOST in Russian  
11 Mar 94 p 3

[Interview with Sergey Vasilyevich Dovgan, chairman of Peasant Party of Ukraine and candidate for people's deputy of Ukraine from Velikoaleksandrovskiy (Kher-son Oblast) Electoral District No 400, by G. Dymov; date and place not given: "Sergey Dovgan: 'We Will Assume the Responsibility'"]

[Text]

[Dymov] Sergey Vasilyevich, it probably would be best to begin by presenting your "calling card"....

[Dovgan] It is the same as for any country boy. I have had blisters on my hands since I was small. I went to school and then to the VUZ, and then I came back to the country, back to the land. Anyone who wants to know the details of my biography, or simply wants to talk, can contact me any time at the Kosmos Sovkhoz in Berislavskiy Rayon. The telephone number is 2-28-93. That is where I am on display, so to speak. Besides this, I feel that each of us should be judged by his actions, and not by academic degrees and professional titles. That is the only way to climb out of the present crisis.

[Dymov] All right. The farm you head is quite strong, in spite of the present economic devastation. You deserve your good reputation. What made you want to climb to the heights of government?

[Dovgan] Everyone defends the peasants during a campaign, displaying great pity for them, and then all of this concern disappears without a trace when the campaign is over. That is why we know this to be true: Anyone who works on the land is our candidate. All the rest, the ones who make such lavish promises, are just trying to "garner votes," occupy a comfortable position, torment us for 2-5 years, and ultimately evade responsibility. This was impossible in the past. At that time the Supreme Soviet was controlled by the Communist Party, which sent the candidates there and then kept them in line. Today, on the other hand, if we have independent deputies, policy will be made in this way: Whoever pays the piper will call the tune. The Peasant Party promises that if our representative becomes a deputy, we will be able to put him on the spot, so to speak, at any time. We will summon him to the district, where he will have to answer to the people for all of his actions. Furthermore, we will see to it that other members of the Supreme Council do not change their minds as easily as a fancy gentleman changes his gloves. The Peasant Party will

assume the responsibility for this. It will block the efforts of the shape-shifters, the poor excuses for politicians whose bid for power is motivated by greed. These convictions are the reason I decided to run for office.

[Dymov] What is the difference, in your opinion, between the administrator of a farm and a politician? Have you decided on the main issues you would put on the new parliamentary agenda?

[Dovgan] We agree with the forces for only one kind of independence, the kind in which people will live well, the forces capable of establishing beneficial economic relations with the rest of the world. I see no difference between "secluded" autonomy and self-isolation. That is why we have to begin by establishing friendly and mutually beneficial contacts with all willing parties.

Our foreign policy is a good example. We have no foreign policy per se. It has led to one failure after another. We saw the treatment we got from the American President. He came to Kiev and summoned our president...as if he were issuing an order.... This is how we can expect to be treated until we have strong partners and friends. I think that Russia and Belarus should be the main ones. We have to form military and political blocs. After all, the Warsaw bloc broke up, but NATO still exists, is dictating its own terms and feels superior to everyone else. In our solitary state, they will drive us to our knees. This is my opinion, and I am certain that it is the opinion of the majority of our people. At this time, however, I am only the administrator of a farm and cannot expect anyone to consider my point of view. From the deputy's rostrum, however, I will have an opportunity to state my views in the most emphatic terms.

[Dymov] Sergey Vasilyevich, do you want our state to be a presidency or a parliamentary state?

[Dovgan] A parliamentary state is the only correct choice. There would be less confusion. We elected a president, and he does not know what to do.... He let the whole economy collapse. Furthermore, there is always the danger of dictatorship.

[Dymov] What about the Navy?

[Dovgan] Keeping a navy is as inconvenient from the economic standpoint as keeping missiles. We have to find a common language with the Russians right away. Uniting with them in a single state will not work anymore. Today Russia has as many problems as we do. The economy there is even more distressed, and the crisis is even more severe.... There is not even enough money to pay wages. Nevertheless, we have to work together to forge a new type of relationship. We have to recover the sales markets we lost as soon as possible. Furthermore, we lost huge markets "without a battle"—the Russian, Caucasian, Central Asian, and Baltic markets. What was the result? All production stopped.

[Dymov] Sergey Vasilyevich, major policy objectives are important over the long term. Today people are worried

about vital aspects of life. The main one is land reform. What kind of advantages will it produce? What kind of adjustments does it need to work?

[Dovgan] The reform the present members of parliament dreamed up will not make the state rich. On the contrary, it will hurt agriculture. It was forced on us by outside influences. I am basing this conclusion partly on data cited by the Belarusian Academy of Sciences back in the beginning of the 1990s. According to these data, the normal operation of a farm required 50 million karbovantsy for every 50 hectares. This was a considerable sum of money at that time. It was equivalent to the gross profits of a farm for five years. In other words, if this amount had been issued to each kolkhoz—but where would this money have come from even then?—it would have been possible to build communism in a single year even without the family farm movement. For this reason, what they are doing with the land today is a shaky endeavor.

What kind of solution does our party propose? We feel that the land being worked by kolkhozes and sovkhozes, along with the 10 percent allocated for family farms, should be divided equally among all of the inhabitants of each rural community. Title to this land should be transferred to the people by government decree. As a rule, the land should be worked collectively. After all, the tendency toward consolidation even exists abroad. Leasing or selling the land makes no sense, because 20 percent of it would have to be used just for boundaries. If our plan is carried out, each person will be a property owner—not in the abstract or hypothetical sense, but in the real sense of the term. In other words, I will earn dividends on my land. If I should have to move, I will receive proper compensation for my share of the land and then use it to acquire new land when I move to another oblast. If there is no available share, I can get a job and wait for my turn. In any case, a person should have the right to this kind of "exchange." It should be secured and protected by law. A parcel would be allocated to each person only once, to prevent attempts to corner the market and other abuses. Incidents of this kind have already been reported. For example, one zealous farmer acquired land simultaneously in three neighboring oblasts....

[Dymov] Will this violate the principle of private ownership?

[Dovgan] That is the least of my worries. I am in favor of collective ownership, which is the basis of private ownership. This engenders a kind of hybrid of "mine" and "ours," and this is normal. After all, neither capitalism nor socialism exists in its pure form.

[Dymov] Each administrator in our country has rights and obligations, but is it not time to institute personal responsibility as well?

[Dovgan] Yes, a great deal depends on the personality of the individual. There is an art to the hiring and placement of personnel, but now everything is left to run its

own course. I recent visited a farm where the administrator—who is even younger than I am—had already managed to build a road, processing shops, and a school. The local malcontents, however, had made life so miserable for this man that he resigned. We have to learn to take good care of our personnel. Furthermore, we have to draft a set of criteria and precise standards of professional advancement. There is good reason that a person who wants to run a farm abroad has to have the necessary skills and a college degree.

As far as responsibility is concerned, I think it should be required at every level. Today, in my opinion, top-level officials are the most likely to abuse their power. As long as they are "inviolable," it will be impossible to restore order.

[Dymov] How do you feel, Sergey Vasilyevich, about the refusal to let party leaders participate in televised campaign debates?

[Dovgan] We have no problem with this. I am even happy that the young men who were monopolizing the screen have now been pushed out of the way. That is their problem. They are afraid to talk to the people directly. No one in the labor collectives hears them or sees them. Incidentally, when I address the peasants of our district and tell them about our party platform, they applaud and say they will not vote for the gentlemen who come here from Kiev. We will give them our bread, meat, and milk—just let them mind their own business and not keep us, the people of the land, from being our own masters. Our party was founded expressly to defend the peasants. The country is our way of life and our cradle.

[Dymov] Excuse me, Sergey Vasilyevich, but if you become a deputy, you will have to leave your home and move to the "asphalt jungle," to an apartment in the capital, and say goodbye to your collective.

[Dovgan] That does not scare me. After all, I will not be leaving forever. If everyone stayed home, who would defend our interests on the highest level? As for the apartment, a law should be passed right away to give deputies the use of only official housing. At the end of the deputy's term, he should return the key, get on the train, and go back home.

[Dymov] What are the immediate concerns of your constituents?

[Dovgan] The state has not paid the peasants for delivered products, there is no money in the state accounts, and there is no money to pay wages. The local buses are not running because there is no fuel. There is no fuel for the sowing season either. The whole social sphere in the countryside has been "stifled." People cannot ride to the hospital, and even if they can get there, there is no medicine. You can see big problems wherever you look. Nevertheless, I am certain that the people will come out to vote, to support us, the representatives of the Peasant



Party, because they believe that we will not lead them astray, that we are the only ones who can make changes for the better.

#### **Hrynyov on Reform Bloc Activities**

944K0899A Kiev PRAVDA UKRAINY in Russian  
14 Mar 94 p 2

[Excerpt from article by V. Egorov and V. Zhukovskyy:  
"What Is Vladimir Hrynyov, the Man and Politician,  
Striving For?"]

[Excerpt]

[Question] The Inter-Regional Reform Bloc mentioned above, one should assume, is that pre-election pony, saddling which, you want to win the election?

[Hrynyov] Not only win, but, what is most important, strive for its implementation in life. The people are tired of promises which have been coming for many years from state offices. Today, however, it is quite clear that current state power structures have proven to be profoundly alien to the Ukrainian people and can no longer bring them anything but poverty and crises.

[Question] Now, six months after your departure, the causes of the socioeconomic collapse in Ukraine can probably be seen with greater clarity.

[Hrynyov] I saw them even then and spoke about them quite frankly. Whether they were seen at the summit is another matter. Things have gone too far, but I dare assure my countrymen that it is still not too late to take control of destiny and halt the descent into an abyss. After all we foresaw what happened—empty shelves in stores, cold temperatures in the apartments, swift devaluation of currency, and impoverishment of low-income citizens. Without losing a single day, a single hour, it is necessary to halt the disintegration of society and overcome the degradation of the state and authority. Through our own experience we became convinced that there is a lack of concern for man at the highest levels where narrow agency and clannish interests predominate killing all rational individual initiative. Only a group of skilled and responsible individuals, working in a coordinated manner in parliament, in the government, and in local administrations will be capable of moving Ukraine away from the precipice, from the brink on which it stands.

[Question] Reports have appeared in the mass media on a merger of efforts in that direction by two political leaders—Hrynyov and Kuchma, or Kuchma and Hrynyov.

[Hrynyov] The order of the names is of no significance whatsoever. What is important is that we turned out to be thinking along the same lines. I left a high post being dissatisfied with it and the same was done somewhat later by Leonid Danilovich, seeing how legislative and executive structures were nullifying his sincere efforts. In

that critical situation we pooled our knowledge and experience with the full potential of the centrist bloc for the purpose of education and the exertion of an active influence on the course of events. Why centrist? Both New Ukraine and the PDVU [Party of the Democratic Revival of Ukraine] as well as today's reform bloc are based on liberal-democratic centrist positions which means that we will not accept either the bankrupt pro-communist structures nor some adventure-prone, in a number of cases national-radical, aspirations. Our concepts are shared by the union of industrialists and entrepreneurs which is headed by former Prime Minister L. D. Kuchma.

Hrynyov believes that the principle that the state exists for the people and not vice versa is the bulwark of a civilized society. The state and its sovereignty are created by citizens "from the bottom to the top" for the development and protection of their rights and opportunities and not for their restriction, which is still far from being eliminated in sovereign Ukraine. Therefore the scheme: individual—district—(city)—country must be systematically realized. It is specifically with the aid of such a scheme that it is possible to utilize skilled intellectual forces from the regions and adopt decisions in the interests of the individual.

Having announced creation of the MBR [Inter-Regional Reform Bloc] Hrynyov and Kuchma are not planning on utilizing it only for the conduct of the election campaign. By their conviction it must be a permanently functioning political force capable of influencing the course of events in Ukraine, including influence, if you will, through its own faction in parliament, which is prepared to assume responsibility before society for the management of regions and the country.

To that end they are engaging in the formation of pre-election coalitions, working with candidates from among the regional leaders, elaborating legislative initiatives of the bloc, and, of course, earnestly preparing suggestions of the bloc regarding personnel selection. The logic behind activity of the bloc during the presidential campaign as well, is being worked out. Both of the leading candidates will perhaps attempt to enter into an honest competition in this area as well.

Meantime Vladimir Borisovich is working on his candidacy: in his own district he held more than 40 meetings with voters.

The first MBR conference took place in Kharkov. Its participants adopted a declaration on the formation of the bloc and studied the path of Ukraine toward an economic revival, a civil society and a civilized state. The confederation cited the disastrous consequences which were brought about by destruction of the economic space, the fabricated confrontation primarily with Russia, the isolationist course of the ruling circles of Ukraine, the "great power" cult, and the expensive military and political ambitions accompanied by national-patriotic jingoism of a portion of the society.

Getting better acquainted with the bloc program adopted at the conference, we become convinced that much in it has been tried and tested. In studying the problem of transformation of the state sector of the economy, for instance, the MBR quite justifiably gives it a role of the principal producer of goods and a source of revenue for the population. As the inevitable generator of inflation and an instrument of the destruction of the economic potential, however, in the opinion of the author of the programs, the state sector must first of all be subjected to some well thought-out reforms, without which it is impossible to create a full-fledged market environment. That is why Hrynyov favors privatization of state enterprises, and their transition to various, including corporate, forms of private ownership. But, he stresses, inevitably with observance of social justice.

Take any point in MBR programs and you will be convinced that concern for the individual is of paramount importance here. The bloc, and naturally, its leaders justly consider that suppression of inflation cannot be carried out through limitation of the income of the population or by confiscatory monetary reforms. The inclusion of land, real estate, and means of production in the market turnover is a decisive factor in strengthening the monetary system. One more thing: the personal funds of citizens in their privatization accounts may amount to a substantive share of the growth in credit resources. That would suit the main strategy of the reforms proposed by the bloc—stabilization not at the expense of the population, but against a background and on the condition of a rise in its welfare.

What can one say? It has been a long time since we have seen such concrete, clear, and farsighted proposals for economic recovery and resolution of the prolonged crisis.

At the same time pragmatic Hrynyov repeatedly pointed out the factor which is capable of nullifying all of the reforms. It is the psychology of the increasingly impoverished population. "Just try to conclude that in order to balance the budget and lower inflation it is necessary to freeze social subsidies," he said. "Our people, particularly young people, are not used to living according to their means. They refuse to understand that the state redistributes only what is produced by the economy. Therefore it appears necessary to earn the daily bread not through speculation from vending stands, but in the shops, the fields, and on the farms." Creation of new jobs and retraining centers is proposed in case of unemployment.

Vladimir Borisovich is likewise convinced that the conduct of social reorientation of the state and the shifting of priorities in the direction of the population is possible with its regular briefing on expenditures—state and local—of taxpayers money with a well-adjusted mechanism of social evaluation of the quality of work by organs of power at all levels.

The intention of the Inter-Regional Reform Bloc to eliminate political censorship along with social and

national prejudice, and grant citizens the right for recognition of their native languages and everyday languages, are among the priorities aimed at the individual, at the protection of his honor and dignity.

Speaking at the first MBR conference V. B. Hrynyov also presented the main organizational principles underlying the activity of the bloc. They include such positions as the creation of an electoral coalition, and a data system for the communication of central MBR organs with the coalition at the local levels, work with candidates from the bloc, elaboration of a detailed program of economic action, and formation of a package of priority laws (before entering parliament Brazauskas' party in Lithuania published 20 drafts and the MBR plans to utilize that experience).

Hrynyov attaches considerable significance to the decisions of the second MBR conference which ended yesterday at Dnepropetrovsk. It was preceded by a sociological monitoring of the situation in more than 20 districts in eastern and southern Ukraine. In general participants of the conference coordinated a platform for the candidates.

Two more points, which allow an understanding of the prospects should also be noted. It concerns the formation of a faction at the third bloc conference, but only after the election, and elaboration of parliamentary tactics. That, however, will depend on the number of deputies in the bloc. "We must realize," Hrynyov stressed, "that the influence of representatives from the regions will be like it is in a joint-stock company: the number of shares in this faction will equal the number of deputies elected." And finally, the structure of the future party. "But more about that later," Hrynyov noted, after the faction is formed. Without a party structure it is impossible to manage the economy and policy. The bloc understands that very well.

No one is casting doubt on the fact that the activity of the Inter-Regional Reform Bloc to a large extent has been initiated by Vladimir Borisovich Hrynyov. Taking into account his personal qualities—such as constant search for answers to complicated questions of political and economic life, strict realism, the desire to work and absence of fear of responsibility, one can hope that Hrynyov, the man and politician, is preparing to play his principal role in life in the nearest future.

#### **Party Support Gauged on Election Eve**

944K0922A Kiev HOLOS UKRAYINY in Ukrainian  
17 Mar 94 p 2

[Article by Valeriy Khmelko, doctor of philosophical sciences, chairman of the department of sociology at the University of the Kiev Mohyla Academy [Universytet "Kyyevo-Mohylyanska Akademiya"], under the rubric "Politics": "Who Supports Which Parties?"]

[Text] This question was answered to some degree by the representative survey of the adult urban population of

Ukraine conducted in December by the Kiev International Institute of Sociology (KMIS) and the department of sociology of the University of the Kiev Mohyla Academy. A total of 1,677 persons aged 18 and older were polled by means of interviews in Kiev and 102 other cities and towns [selyshcha miskoho typu] in all 24 oblasts and the Republic of Crimea.

The first thing that the survey showed is that the percentage of urban voters who prefer to cast their votes for candidates who do not belong to any party is not all that large—they make up 18% of those polled. Twice as many voters are inclined to vote for candidates put forward by one party or another. Of these respondents, 21% have already decided on their choice and named the party for whose candidates they would vote. Of the voters who expressed no preference regarding whether a candidate represented a party or not (they number 46%), only one-quarter is planning to vote in the elections. The attitude to voting in the elections is quite different among those supporting parties: nearly nine-tenths of them (89%) plan to vote. Among supporters of candidates that do not belong to any party, the number that plans to cast a vote is significantly lower—71%.

There is more support for party candidates among men (39%) than women (34%); among members of older generations (over 60—42%, between 46 and 60—38%) than among younger voters (under 30—32%, between 31 and 45—33%); among those with a higher education (41%) than those with a secondary education (35%) or lower (34%). The proportion of supporters of party candidates is especially high among managers at various levels (48%) and significantly lower among white-collar workers (38%), and particularly among specialists (21%).

Support for party candidates decreases geographically as one moves from west to east and from north to south. Supporters of party candidates make up 41% of the electorate in the Western region, 37% in the Central region, 35% in the Eastern region, and 34% in the Southern region. In part, this stems from the fact that there are fewer supporters of party candidates among Russians (34%) than among Ukrainians (38%), especially among Ukrainian-speaking Ukrainians (40%).

The second question to which we sought an answer in our study was which parties have most supporters and among which categories of urban voters.

As far as the urban electorate of Ukraine as a whole is concerned, at the beginning of the year only three parties had voters ready to vote for them in numbers exceeding the 10% mark: 16% for the Democratic Party of Ukraine (DemPU), 13% for Rukh, and 11% for the Communist Party of Ukraine (KPU). At present, these three parties are the largest components of the multiparty political system that is forming in Ukraine. They are its "first rank," so to speak.

The "second rank" in this system, numbering fewer than 10% supporters but no less than 5%, is currently "vacant." No party has the support of this percentage of voters.

The "third rank" of political parties among the urban electorate consists of five parties, each of which is supported by less than 5% but more than 2.5% of the electorate. These are the Party of Democratic Rebirth of Ukraine (PDVU), the Green Party of Ukraine (PZU), the Social Democratic Party of Ukraine (SDPU), the Socialist Party of Ukraine (SocPU), and the Ukrainian Party of Justice (UPS)—each with 3% supporters.

The last, "fourth rank" is comprised of nine parties, each of which has the support of at least 1% of the electorate. (We should point out that 1% of the urban electorate of Ukraine amounts to more than 250,000 persons.) The Peasant Party of Ukraine has the support of 2% of the urban voters, while the Congress of Ukrainian Nationalists, the Liberal Party, the People's Party, the Party of Labor, the Labor Congress of Ukraine, the Ukrainian Republican Party, the Ukrainian Peasant Democratic Party, and the Christian Democratic Party of Ukraine each have 1%.

An analysis of the data makes it possible to determine the breakdown of support enjoyed by the named parties among various categories of the urban electorate. Thus, the number of supporters of the DemPU among men is 1.5 times greater than among women (18% as against 12%). The ratio between the supporters of Rukh is the same (14% as against 9%). In contrast, the KPU has almost twice as many supporters among women than among men (14% as compared to 8%). In addition, the 5% "hurdle" is cleared by men in the case of the SocPU and by women in the case of the UPS.

The leading position of the DemPU is particularly marked among young voters. It is supported by 18% of those under 30 years of age as against 7% for Rukh, 6% for the KPU and the UPS, and 5% for the PDVU and the PZU. Most appealing to voters between the ages of 31 and 45 are Rukh (16%) and the DemPU (14%), while the "second rank" of parties includes the KPU (6%) and the SDPU (5%). The highest degree of support among voters between 45 and 60 goes to Rukh (17%) and the KPU (15%), somewhat less to the DemPU (12%), and 6% of these voters and voters over 60 prefer the SocPU. Among the latter group, only 5% support Rukh, and the leaders are the KPU (17%) and the DemPU (16%).

Among voters with a lower than secondary education, support is highest for the KPU (16%). The DemPU has only 11% and Rukh 7% in this category. The DemPU has more supporters among those with a secondary education (17%) than Rukh (13%) and the KPU (11%). Whereas voters with a higher education are more inclined to prefer Rukh (14%) and the DemPU (13%) than the KPU (9%), and 6% of voters in this category are ready to support the PZU and the SocPU.



Among blue-collar workers, support runs highest for Rukh (18%) and the DemPU (14%), and no other party reaches the 5% mark. The Communist Party has the support of only 3% of blue-collar workers, and the Socialist Party of only 1%. Among white-collar workers there is more support for the KPU and Rukh (14% each) than for the DemPU (10%). In addition, 7% of the white-collar workers are inclined to support the PZU and 6% the PDVU. Among specialists and the technical and humanitarian intelligentsia, support also runs highest for the KPU and Rukh (14%), but third and fourth place in this group is shared by the PDVU and the SocPU (9% each), while the DemPU has only 5% of supporters—the same number as the SDPU and the Labor Congress of Ukraine.

In the Western region, only two parties have the support of more than 5% of the polled urban voters, but Rukh has more than 1.5 times as many supporters as the DemPU with a ratio of 29:18. Only these two parties are supported by more than 10% of the urban population of the Central region: Rukh—18% and the DemPU—15%. Three parties fall into the "second rank" here: the KPU with 9%, the SocPU with 7%, and the UPS with 5%. Among the urban electorate in the Southern region, first and second place are shared by the DemPU and the KPU (16% each). Rukh has the support of only 7% of the electorate here, and the PDVU and the Peasants' Party, of 5% each. In the Eastern region, support among urban voters runs highest for the KPU (14%) and the DemPU (12%). The SDPU is in third place here (5%), while Rukh is supported by only 2%.

This breakdown of support for the different parties in the regions is rather closely linked with the breakdown of supporters in the principal ethnic and linguistic-ethnic groups. Among urban Russian voters, the KPU has markedly more supporters (16%) than the DemPU (12%), and many more than Rukh (3%). Conversely, the KPU has markedly fewer supporters among urban Ukrainian voters (10%) than the DemPU (15%) and Rukh (15%). While there are significantly more supporters of the KPU among Russian-speaking Ukrainians than among Ukrainian-speaking Ukrainians (14% as compared to 4%), and, conversely, Rukh has many more supporters among Ukrainian-speaking Ukrainians than among Russian-speaking Ukrainians (24% as against 9%), DemPU has almost an equal number of supporters among all Ukrainians—16% among Russian-speaking Ukrainians and 15% among Ukrainian-speaking Ukrainians.

In examining the above data, it is important to keep in mind that our elections will be held in accordance with a majority electoral system rather than a proportional one, and therefore the final distribution of deputy mandates among the representatives of the various parties and candidates with no party affiliation may differ considerably from the proportions described above.

## ECONOMIC AFFAIRS

### Lack of Local Economic Independence Leading to Separatism

944K0858A Kiev UKRAYINSKA HAZETA  
in Ukrainian No 4, 17 Feb 94 -2 Mar 94 p 4

[Article by Mykola Tymchuk, professor, economic commentator for UKRAYINSKA HAZETA, president of the Nauka—Rehionu Association: "Separatism Stirring Where Anti-Ukrainian Sentiments Exist. The Causes of Economic Collapse and Ways To Overcome It"—for first two installments see Ukrainian National Affairs Section of Central Eurasia Daily Report of 28 Dec 93 p 30, 11 Jan 94 p 52, for parts III and IV see Ukraine Political Affairs Section of the FBIS Report: Central Eurasia of 3 Mar 94 pp 7-15]

[Text]

#### 1.

Two years have gone by since our government, without giving the matter much thought, followed in the footsteps of "older brother" Russia and liberated the prices of consumer goods and services. These prices are now skyrocketing madly. The output of goods is falling. This is happening at such an accelerated pace that by the fall of 1993 Ukraine's economy fell into the grip of hyperinflation bearing all the signs of economic collapse.

Those who choose not to see the principal reason for this terrible situation in the economy are trying to attribute it to the rupture of economic ties with the sovereign states that made up the former USSR and, above all, with Russia. Others, who lament the decline of the command-distributive system of management, believe that the sole cause of our economic disaster is the disruption of the state's management of the economy.

But as life is showing us, neither the creation of the commonwealth of independent states, which was to have restored interstate ties, nor even the launching of an economic union conceived for the purpose of ultimately reviving the political union (read: transforming the USSR), nor the attempt by former Prime Minister Kuchma to restore the centralized system of state management are capable of halting the economic collapse.

The principal reason for our unremitting descent into an economic abyss is the complete inaction on the part of the Supreme Council, the president, and the Cabinet of Ministers of Ukraine in the sphere of economic and sociopolitical change while in unanimous agreement only on the liberalization of prices.

Unfortunately, in contrast to Russia, the Czech Republic, Hungary, and Poland, for example, Ukraine has produced no state leaders with sufficient will, ability, and, above all, desire to firmly and fundamentally implement radical economic and sociopolitical change. A struggle for power, political and ideological strife

between the former party-nomenklatura group and today's democratic groupings, multiplied by wariness, self-satisfaction, and complete professional ignorance, and an unprecedented flowering of the mafia and shadow elements have all resulted in the formation of an ineffective ruling center, whose ambiguous and insufficiently founded actions make it very similar to the former Union center.

As in the days when the USSR still existed, there is a growing body of opinion within the borders of independent Ukraine that the fate of economic rebirth, and thus the fate of millions of ordinary citizens of Ukraine, should not be decided by the center, but at the local level, for a given region. Even Leonid Kuchma in his farewell address at the eighth session of the Supreme Council last September said that the center is no longer able to decide socioeconomic issues and that more and more often these matters are being handled in the regions. This is indeed the case. Moreover, the inaction at the top with respect to economic changes is stirring up separatist sentiments, particularly in regions where the Russian-speaking population constitutes a majority. In voting for the independence of Ukraine, these people cherished the hope that they would enjoy a better life than they had had before, especially compared with neighboring Russia. When this did not happen, a significant number of the people came to regard independence, especially Ukrainian independence, as fate's bitter irony. For these people (their place of residence is the Soviet Union), a "sausage prosperity" is far more important than Ukrainian statehood, let alone Ukrainian patriotism. The most important evidence supporting their argument is the condition of the economy, whose improvement is awaited by virtually the whole population of Ukraine.

## 2.

The disparity between the declarations of the government and the president and the actions that actually accompany these declarations on economic reforms (take, for example, the decisions on privatization that were passed by the Supreme Council in the form of two programs, one for 1992 and the second for 1993, but not implemented) is leading to a situation in which under pressure from enterprising individuals, local government organs (usually city organs) in some regions are beginning to reform their economies on their own. Without waiting for directives from above, they are carrying out so-called small privatization, which, unfortunately, even in these regions is progressing at a very slack pace (estimates show that only some 1,500 objects have been privatized). To defend their actions, more than 100 local communal property privatization organs have joined together in their own association.

But as long as power remains in the hands of people who wait for instructions from above, we cannot expect to see any significant changes in the conduct of economic reforms in Ukraine. Together, the local nomenklatura and the center have already made their "contribution" to what is widely known in international economic circles

as the "Ukrainization of the economy"—in other words, a knack for destroying the economy.

Even in an ideal situation (something we can only imagine), if the conservative officials are successfully replaced by reformers (but where are we to find them?), the necessary changes will not be made for two reasons: first, because all changes will be implemented only on the initiative of the center, whose directives will not always suit the specific conditions of a given territory's development, and, second, because without the opportunity to show initiative, local government organs will not always be interested in executing the directives issuing from the top. It is therefore essential to reach agreement regarding national as opposed to regional interests in effecting economic changes and to use this as a basis for implementing an active territorial policy of economic reforms. This would relax the tension in relations between the center and the regions and transfer the burden of economic and social problems to the local level. All strata of the population would then be directing questions about their life to their local government organs and themselves instead of the president or government of Ukraine. Moreover, the separatist flames that flare up from time to time in various regions of Ukraine would die away. And if someone were to fan them, there would be grounds on which to extinguish them. Whereas, quite frankly, no such grounds exist today, because the regions have virtually no economic independence.

## 3.

What does the economic independence of regions mean? In the transition to a market economy, and even more so once market relations are in effect, every economic entity, every structure within the economic system, and especially every region, must be economically independent. Unfortunately, some leaders, who have no understanding of real politics and even less of economics, define economic independence as economic autonomy, which, for the most part, is intertwined with political independence and ultimately leads to state separatism.

The theory and practice of market relations prove that economic independence means, above all, a region's right to choose its own paths and methods of economic and social development and to manage at its own discretion within the framework of state laws but relying on local initiative and the region's resource, production, and scientific potential. Thus all economic and social gains become the attainment of the region, whose fate is decided without interference from the center but with national interests taken into account.

Today, Ukraine's various regions are attaining different degrees and forms of economic independence by methods that are for the most part uncivilized. The regions use different ways to win this independence. Some, like the Republic of Crimea, do so by way of social destabilization and threatening to join Russia, ultimately succeeding in getting the Supreme Council of Ukraine to pass legislation granting it limited economic



autonomy. Others—Donetsk, Dnipropetrovsk, Zaporizhzhya, and Luhansk oblasts—also playing the Russian card, force the president to issue an edict permitting them to conduct an experiment in which the oblast state administrations manage all objects, including those owned by the state. The third category—Odessa Oblast—passes a decision in the oblast council of people's deputies and then requests the Supreme Council, the president, and the Cabinet of Ministers to grant it permission to also conduct an experiment in full-fledged economic independence. The fourth category—Zakarpattya Oblast—has elected a legitimate course towards economic autonomy through the creation of a free economic zone on the territory of the entire oblast.

An analysis of the situation shows that the center, fearing separatist sentiments, limits the powers of regions in the sphere of economic independence. For example, having won autonomy, the Crimean Republic nevertheless has limited economic rights, under which the principles of self-sufficiency and self-financing do not function. The fact of the matter is that the republic's economy is subordinated to the national centralized system of financing, taxation, and, to a certain extent, with respect to the supply of materials and equipment. Even its socioeconomic growth indices are coordinated with the central ministries and departments. That the Crimean Republic's economy is dependent on the state cauldron is also confirmed by the fact that last year more than 60 percent of the republic's budget expenditures were covered by the state. It should be noted, however, that to some extent these funds were linked with the center's desire to reduce the social tensions that were constantly present in this region and which were giving rise to separatist sentiments.

To avoid this diversity of ways and negative results of attaining economic independence by various regions, the center should view this independence as an objective factor essential to the effective development of Ukraine as market

relations are established. The state should make provision for this independence in its territorial policy and pass appropriate legislation to secure it. On the basis of this legislation, as well as a mechanism for implementing economic independence developed in advance, all regions, regardless of their level of development, should be granted economic freedom and allowed to exercise it in accordance with their self-governing powers. It is undesirable, however, for some regions to be granted more and others fewer economic powers, which, unfortunately, is something that we are witnessing in regions that are successfully wresting economic power for themselves. Economic inequality will lead to a social stratification of the regions, and this will provoke sociopolitical tensions.

(To be continued in the next issue)

### Law on Ukraine's 1994 State Budget

#### Text of Law

944K0826A Kiev HOLOS UKRAYINY in Ukrainian  
18 Feb 94 pp 3-5

[Text of law under the rubric "Laws of the Independent State": "Law of Ukraine 'State Budget of Ukraine for the Year 1994'"]

[Text]

#### State Budget of Ukraine for the Year 1994

The Supreme Soviet of Ukraine decrees as follows:

Article 1. To confirm the State Budget of Ukraine for the year 1994 for income and expenses in the amount of 335,067,343.3 million karbovantsi.

Article 2. To establish the income portion of the State Budget of Ukraine for the year 1994 for the principal types of receipts in the following amounts:

	(millions of karbovantsi)
Tax on added value	70,788,596.8
Tax on income of enterprises and organizations	23,573,950
Excise fees	20,309,552
30 percent of funds receipts from payments for land	984,110
Profits tax on citizens	8,350,000
State customs duty	140,555
Receipts from foreign economic activity—total	22,685,824
<b>Including:</b>	
—income from export of products	21,479,680
—customs income	1,206,144
Deductions for geological exploration	6,596,000
80 percent of receipts from privatization of property of state enterprises	7,563,270
Mobilization of funds for financing structural restructuring of economy (25 percent of depreciation deductions)	2,553,605
Receipts of funds from sale of military property	8,000,000
Payments of enterprises and public organizations to the Fund to Implement Measures to Eliminate the Consequences of the Chornobyl Catastrophe and for the Social Protection of the Population	15,826,700

	(millions of karbovantsi)
Receipts from deductions from excess current income over expenses of the National Bank	220,000
Payments to the budget of excess amounts of actual consumption fund over settlements	1,856,000
Receipts of funds from State Committee for Material Reserves	29,073,000
Fees for the transit of oil, gas and ammonia across the territory of Ukraine by pipeline transmission	17,440,000
Receipts of amounts of price differences for gas	10,000,000
Receipts of funds from implementation of additional tax measures to mobilize income for the budget	5,536,161
Receipts of dividends (portion of profits) from the subjects of business activity that are created with the participation of state enterprises and organizations	83,130
Reimbursement of funds under international agreements	16,000,000
Fees and other non-tax income	2,207,781.9
Receipts to Pension Fund	61,260,000
Funds subject to transfer to the State Budget of Ukraine from the budgets of the oblasts and the city of Kiev	4,019,107.6

Article 3. To establish in the State Budget of Ukraine for the year 1994 appropriations for the performance of the following measures:

	(millions of karbovantsi)
Social protections for the population—total	18,344,168.2
including:	
—payments for credit concessions granted to individual rural builders	43,775
—social security	11,508,080.5
including:	
—pensions for servicemen and management and rank-and-file personnel of internal-affairs bodies	7,800,000
—settlements with the Pension Fund to pay for pensions of enlisted, NCO and petty-officer servicemen on conscript service and their families	1,500,000
—settlements with the Fund for the Social Protection of Invalids	1,800,000
—upkeep of boarding homes and other establishments of social security	408,080.5
Financing of measures connected with the implementation of state regulation of prices	6,792,312.7
including:	
—gas	6,490,000
—solid fuels	4,427.7
—building materials for individual builders	149,685
—cost reduction of housing construction for youth residential complexes	140,000
—municipal and residential services (centralized expenses, republic economy)	8,200
Financing of social and cultural institutions and establishments—total	26,591,046.8
including:	
—education	13,889,508.4
—culture	7,592,057
—health care	4,068,523.4
—physical fitness and youth functions	740,958
of which:	
—creation of material and technical base for preparation of athletes for XVII Winter (1994) and XXVI Summer (1996) Olympic Games	49,922
—departmental establishments in socio-cultural sphere	300,000
Financing of science	5,295,786
State capital investment in development of sectors and structural restructuring of economy	14,242,023
of which, for development of agro-industrial complex	6,622,544
National economy—total	98,618,869

(millions of karbovantsi)	
<b>Including:</b>	
—budgetary debt	5,447,850
—of which, from capital investment	4,847,850
—financing of geological exploration	6,596,000
—financing of geological exploration for gold	1,000,000
—financing of measures for conversion of enterprises in the defense complex and creation of new types of non-military products	5,000,000
—financing of National Space Program	1,100,000
—financing of National Program of Research and Utilization of the Resources of the Azov-Black Sea Basin and Other Regions of the World's Oceans	1,000,000
—creation of capacity for the reprocessing of scrap and by-products of precious metals	280,000
—land use and reclamation, anti-epizootical measures, operation and maintenance of irrigation systems, veterinary networks and other expenditures for the system of the agro-industrial complex	1,326,991
—pursuit of land reform	25,250
—partial reimbursement for value of livestock	900,000
—reimbursement for expenditures to pay for grade supplements for elite seeds	1,000,000
—fundamental land improvements	86,012
—forest management, protection of forests	850,042
—financial assistance and partial payment of interest on credit issued:	
to enterprises	50,000
to farms	300,000
to collective agricultural enterprises	19,500
—granting of loans to procurement and processing enterprises and organizations for the procurement of agricultural products under state contract	20,000,000
—provision of state reserves	29,231,680
—compensation for difference in prices for coal	18,900,000
—financial participation of Derzhkomnaftogaz [State Committee for Oil and Gas] in the development of the West Siberian Oil and Gas Complex	1,500,000
—financing of the construction of petroleum refining complex in city of Odessa	718,200
—operating expenditures for upkeep of Chornobyl AES [nuclear power plant]	173,063
—other	3,114,281
Financing for municipal and road systems—total	789,163
<b>Including:</b>	
—capital repairs to housing stock	23,780
—infrastructure development of cities and towns	1,023
—repair and maintenance of roads	764,360
Restoration of architectural monuments	100,000
Protection of the natural environment	1,638,000
Measures connected with the return of the Crimean Tatars, Germans and other deported peoples	807,592
of which, capital investment	627,592
Financing for defense—total	16,823,610
<b>Including:</b>	
—Ministry of Defense	14,741,870
—National Guard	498,300
—Border Troops	1,458,480
—Staff and field civil defense	124,960
Financing for construction of housing for servicemen out of funds from sale of military property	833,112

	(millions of karbovants)
Financing of measures to eliminate strategic weapons	1,000,000
Law enforcement and customs bodies, tax service—total	12,033,132
including:	
—Security Service of Ukraine	1,283,040
—bodies of the Ministry of Internal Affairs	5,626,850
—institutions and enterprises of the Ministry of Internal Affairs to carry out sentences	1,245,790
—Main Administration for Government Liaison	384,900
—additional expenditures connected with the realization of the State Program to Combat Crime	1,400,000
—Administration of State Protection	50,430
—customs bodies	442,122
—bodies of the tax inspectorate	1,600,000
upkeep of legislative, executive and judicial bodies—total	4,204,793
including:	
—legislative branch	374,444
—executive branch	3,130,349
—judicial branch	700,000
Procuracy	380,467
Financing of measures designated by the National Program to Improve the Safety and Hygiene of Labor and the Production Environment	32,000
Acquisition of equipment for production of securities and accounting documents	50,000
Reimbursement of funds for completion of construction of social and cultural facilities for rural areas	700,000
Preparation of capacity for manufacture of currency of Ukraine	236,298
Foreign-economic and foreign-political activity—total	24,945,472
including:	
—expenditures for foreign-economic activity	19,331,712
—expenditures connected with maintenance of institutions abroad, and payments to international organizations	5,613,760
Financing operations for construction of buildings for embassies and offices abroad	574,560
Other expenditures	1,909,718.7
of which:	
—conducting elections	1,150,000
—mobilization preparation of sectors of the national economy	44,370
Reserve fund of the Cabinet of Ministers of Ukraine	1,000,000
Measures connected with eliminating the consequences of the Chornobyl catastrophe and social protections for the population	16,362,861
Expenditures for servicing of foreign debt	5,060,920
Expenditures of Pension Fund	65,960,000
Funds subject to transfer to the budgets of the Republic of Crimea, the oblasts and the city of Sevastopol	16,533,751.6

Article 4. To confirm standards for deductions from the general state taxes and fees to the budget of the Republic of Crimea and the budgets of the oblasts and cities of Kiev and Sevastopol in the amounts (percentages of the total amount) of:

Tax on added value	20
Receipts from excise charges	20
Tax on income of enterprises and organizations of general state ownership, including leased, founded on the basis of that ownership, enterprises with foreign investments, foreign legal persons that are engaging in activity through permanent offices, income from banking and insurance activity	50
Receipts from profits tax on citizens	50



Article 5. To confirm subventions in the expenses of the State Budget of Ukraine to the budgets of the Republic of Crimea, the oblasts and the city of Sevastopol in the amount of 16,533,751.6 million karbovantsi for financing the expenses of local budgets that are not covered by income, including:

(millions of karbovantsi)	
Republic of Crimea	1,657,068
<b>Oblasts:</b>	
Vinnitsya	1,197,749.3
Volyn	866,227.6
Zhytomyr	1,080,103.6
Transcarpathian	1,099,705.1
Ivano-Frankivsk	481,521.4
Kiev	471,655.5
Kirovohrad	1,082,500.2
Luhansk	282,816.4
Lviv	940,304.2
Mykolayiv	358,756.8
Odessa	402,544.2
Rivne	799,445.8
Sumy	699,285.4
Ternopil	960,652.5
Kharkiv	340,620.2
Kherson	787,729.5
Khmelnyskyy	716,747.8
Cherkassy	753,350.1
Chernivtsi	722,278.3
Chernihiv	494,691.3
city of Sevastopol	337,998.3

Article 6. To confirm funds in the amount of 4,019,107.6 million karbovantsi transferred from the budgets of the Soviets of People's Deputies to the State Budget of Ukraine, including:

(millions of karbovantsi)	
Dnipropetrovsk Oblast	109,042
Donestk Oblast	1,472,186.3
Zaporizhzhya Oblast	983,808.9
Poltava Oblast	758,890
city of Kiev	695,180.4

Article 7. To establish that additional expenditures, pertaining to resolutions adopted by the Supreme Soviet of the Republic of Crimea, oblast, Kiev and Sevastopol city and local Soviets of People's Deputies at all other levels, may be made only provided they find additional financial resources for the corresponding regions.

Article 8. To include in the State Budget of Ukraine the budget of the Pension Fund of Ukraine. The Cabinet of

Ministers of Ukraine will confirm the Statute on the Pension Fund and the sources for maintaining it.

Article 9. To establish that the following will be counted as income in the State Budget of Ukraine for 1994:

- a) receipts from the sale of goods and other items confiscated by customs bodies, as well as amounts received from the sale of goods and other items that are stored under customs control whose owners are not found within the time period stipulated by official documents;
- b) income received by the Ministry of Foreign Economic Ties from the auction sale of quotas for the export of goods, after the coverage of expenses connected with holding the auction;
- c) funds that are in the accounts of the Ministry of Foreign Economic Ties, in foreign currency for the registration of the offices of foreign subjects of business activity and in the national currency for the issue of export and import licenses;
- d) consular fees that are received in foreign currency with their subsequent direction for the development of the Ministry of Foreign Affairs in amounts stipulated in the plan of receipts and payments of Ukraine in freely convertible currency for 1994.

Article 10. To establish that 80 percent of the receipts of funds from the privatization of the property of state enterprises in 1994 will be directed toward the budget, of which:

- 30 percent will be transferred to the State Budget to finance the expenditures of the Pension Fund for the payment of pensions;
- 50 percent of the funds received from privatization of the property of enterprises of general state ownership will be directed to the State Budget to finance the structural restructuring of the economy;
- 50 percent of the funds from the privatization of the property of enterprises of communal ownership will be transferred to the local budgets for the socio-economic development of the regions.

Article 11. To transfer 25 percent of the depreciation deductions of state enterprises and organizations of all types of activity, including leased enterprises and those founded on state forms of ownership aside from agricultural enterprises and organizations and enterprises of the State Committee of Ukraine for Geology and Utilization of Subsurface Mineral Resources, to the State Budget of Ukraine in 1994 in order to finance the structural restructuring of base sectors of the national economy.

Article 12. To establish that the delimitation of a portion of the general state taxes, fees and other mandatory payments between the oblast budget and the budgets of cities of oblast subordination in 1994 is determined in

accordance with Point 2 of Article 12 of the Law of Ukraine, "The Budget System of the Ukrainian SSR."

Article 13. The Cabinet of Ministers of Ukraine will finance expenses within the limits of the actual receipts to the State Budget of Ukraine.

Article 14. The force of the legislation of Ukraine and the standard documents of the President of Ukraine and the Cabinet of Ministers of Ukraine in the area of granting credits and concessions on bank credit at the expense of the budget will cease in 1994, with the exception of the servicing of credit granted previously.

Article 15. To establish that in those cases where the subjects of legislative initiative and other subjects of the law submit proposals to the Supreme Soviet of Ukraine and the Cabinet of Ministers of Ukraine for the granting of tax concessions to enterprises and organizations or the allocation of additional appropriations from the budget, that they shall simultaneously submit proposals directed at the corresponding replacement of the income or reduction in expenses of the state budget.

Article 16. To establish that banking institutions, after the completion of settlements for power carriers and the payment of wages, will fulfill in priority fashion the obligations of enterprises, institutions and organizations to make payment to the budget of amounts of taxes, fees and other mandatory payments and payments to state dedicated funds, as well as the directives of state taxation inspectorates on mandatory penalties for payments not made on time and financial sanctions on them.

Article 17. Starting in 1994, the deferral and payment by installments of taxes and payments to the budget in accordance with Article 9 of Decree No. 8—93 of the Cabinet of Ministers of Ukraine of 21 January 1993, "Penalties for Taxes and Non-Tax Payments Not Paid on Time," are granted to payers on terms of tax credit. The payers pay to the corresponding budget a fee, of 0.5 of the discount rate of the National Bank of Ukraine that is being employed on the day the payer receives the amount of credit, for the use of the tax credit.

Article 18. The payments of enterprises and public organizations to the Fund to Implement Measures to Eliminate the Consequences of the Chornobyl Catastrophe and for the Social Protection of the Population are made in accordance with the procedure and in the amounts established for 1992.

The enterprises (associations) and organizations of the Ukrainian Society for the Blind and the Ukrainian Society for the Deaf, where invalids make up more than 50 percent of the total number of workers in basic production, are exempt from payments to the Fund to Implement Measures to Eliminate the Consequences of the Chornobyl Catastrophe and for the Social Protection of the Population in 1994.

The financing of expenditures connected with eliminating the consequences of the accident at Chornobyl

AES is accomplished within the limits of receipts to the Fund to Implement Measures to Eliminate the Consequences of the Chornobyl Catastrophe and for the Social Protection of the Population.

Article 19. The mandatory payments of enterprises and public organizations to the Fund to Promote Employment for the Population are made under the procedure and in the amounts established in 1992. Deductions to that fund from the local budgets are made in the amounts designated independently by the corresponding Soviets of People's Deputies.

Article 20. To increase the rate of the land tax stipulated by the Law of Ukraine "Payments for Land," by five times including its increase in 1993.

Article 21. To establish the rate of taxation on legal persons that are owners of means of transport of foreign manufacture acquired for freely convertible currency, at the amount of 2.4 times the minimum wage for each horsepower of engine capacity or at the amount of 3.5 times the minimum wage for each kilowatt of engine capacity.

Enterprises of public motor-vehicle transport and other enterprises whose means of transport are engaged in the shipment of passengers, enterprises that own special-purpose motor vehicles and technological means of transport are exempt from payment of the tax.

The funds received are directed toward financing the social needs of poorly off segments of the population.

Article 22. To establish a fee for the written appeals of legal and natural persons to bodies of legislative and executive authority, in the amounts of five times the minimum wage for a page (telegram) for legal persons and 0.5 times for natural persons. To establish that the fee is not charged for the appeals of citizens on questions of the awarding and payment of state pensions and assistance, or for the appeals of families with many children and poorly off citizens.

The Cabinet of Ministers of Ukraine will institute the fee after developing a mechanism for paying it.

Article 23. To establish that the concessions on the profits tax for participants in military operations, military invalids, individuals that have special merits before the Fatherland and individuals to whom extend the force of the Law of Ukraine "The Status of Veterans of Wars and Guarantees of Their Social Protection," are granted within the limits of fifteen times the non-taxable minimum income for each full month.

Article 24. To grant the right to tax bodies to apply directly against residents who violate the terms stipulated by Articles 1 and 2 of Decree No. 17-93 of the Cabinet of Ministers of Ukraine, "Transactions in Foreign Currency" of 19 February 1993, based on the results of documentary verifications, fines for each day of lateness of 1.0 percent of the amount of currency receipts

in foreign currency not received, converted at the current (exchange) rate of the National Bank of Ukraine on the day the fines are imposed.

Article 25. In the event of an understating by payers of amounts of tax or other mandatory payment to the budget that are revealed by tax bodies in the course of verifications, the underpaid amounts and penalties in the amounts envisaged by the prevailing legislation of Ukraine are imposed, increased by an amount proceeding from the discount rate of the National Bank of Ukraine that is being employed on the day of the penalty, over the entire period of failure to receive the tax and the sanction amounts to the budget.

Article 26. To establish that in 1994 the computation of the tax on income of the subjects of business activity is performed under the procedure stipulated by the Law of Ukraine of 21 February 1992, "Taxation of Income of Enterprises and Organizations."

Article 27. To make the following changes in the Law of Ukraine "Taxation of Income of Enterprises and Organizations":

I. In Point 1 of Article 4 replace the words and numbers "at a rate of 18 percent" with the words and numbers "at a rate of 22 percent."

II. Article 5 to be worded as follows:

"Article 5. Tax Concessions.

1. Exempt from the payment of tax are:

a) enterprises of public organizations of invalids, where invalids constitute more than 50 percent of the overall number of workers in basic production.

The taxable income of other enterprises that employ the labor of invalids is reduced by the amount of the wages paid to their invalid workers;

b) enterprises, on income received from the production of agricultural products, with the exception of products of decorative-flower growing and animal breeding;

c) educational, cultural and sports establishments whose activity is partially financed from the State Budget;

d) income in the form of interest on credit granted by foreign legal persons to the Government of Ukraine or the National Bank of Ukraine, as well as dividends (interest) received on state obligations and other state securities.

2. The taxable income calculated in accordance with Article 3 of this Law is reduced by:

a) the amount of income received by enterprises from the sale of prosthetic and orthopedic devices and special technical appliances for invalids, aids for the blind, the publishing and provision of sound

for books, journals, textbooks and other literature for invalids by sight manufactured by them, as well as non-standard manufactured equipment and technological tooling for educational and production enterprises of the society of the blind;

b) the amount of income received from the sale of products manufactured by medical-labor shops, subsidiary enterprises at psychiatric centers and tuberculosis institutions, boarding homes for the elderly and invalids, educational-labor colonies for minors and labor-treatment institutions;

c) a sum in the amount of 35 percent of the income of the enterprises of penitentiary institutions;

d) a sum of income transferred to boarding homes for the elderly and invalids and boarding schools, as well as enterprises, institutions and organizations of culture, public education, health care, social security, physical fitness and sports, physical-fitness and sports societies and children's public organizations, but not more than 2 percent of the taxable income that is defined in accordance with Point 1 of Article 3 of this Law.

3. A foreign participant in a joint venture, including banks and insurance organizations, created on the territory of Ukraine with the participation of foreign investors, that has the right in accordance with an international agreement of Ukraine to the full or partial exemption from taxes on the income that is due to it under the procedure for the division of income, and submits an application for the reduction or abrogation of the tax under the procedure stipulated by the Ministry of Finance of Ukraine. In a case where the application is submitted after the remittance of the income abroad, it should be submitted within a year from the day of remittance. Applications submitted after the end of a year are not accepted for review.

4. A foreign legal person that has the right to complete or partial exemption from the tax on income from sources in Ukraine not connected with activity in Ukraine in accordance with an international agreement of Ukraine realizes that right under the procedure stipulated in Point 3 of this article.

5. The set of concessions with regard to taxation and the amount of the tax rates may be clarified by the Supreme Soviet of Ukraine during the confirmation of the budget for the coming year by recommendation of the Cabinet of Ministers of Ukraine.

The local Soviets of People's Deputies may grant tax concessions with regard to the tax on income that is paid to the local budgets.

The procedure for payment, the tax rates and concessions with regard to the taxation of income of enterprises and organizations may not be altered by other legislative acts, aside from the cases envisaged by the stipulated Law."

III. In Article 7:

Point 2 to be worded as follows:

- "2. Payers of the tax on income, aside from foreign legal persons, independently make advance quarterly payments of the tax to the budget in the amounts stipulated by forecast computations of the financial results of business activity for the year, but not less than the amount of the tax actually due for the prior quarter. The financial sanctions for understating the advance payments are applied by tax bodies against such payers in the form of penalties in the amount of the understatement for each payment period.

The advance payments of the tax to the budget are made not later than the 15th and 28th of each month, in the amount of 1/6 of the quarterly amounts calculated.

By petition of a payer who is paying an insignificant amount of tax, the tax body at the location of the payer may establish a deadline for the payment to the budget of the 20th of each month, in the amount of 1/3 of the computed quarterly amount of the tax.

A payer with a seasonal cycle of the production process determines the amount of the advance payments over the course of a year with forecast computations of the financial results of business activity.

The size of the advance payments is determined and declared by the payer to the tax inspectorates before the start of the first payment deadline in the quarter.

The payer, after the completion of the first quarter, half year, nine months and year, computes a running subtotal from the beginning of the year of the amount of tax, proceeding from the income actually received that is subject to taxation."

Point 3 is deleted.

Points 4, 5, 6 and 7 are now numbered 3, 4, 5 and 6 therein.

IV. The first part of Article 12 is worded as follows:

"Income from banking and insurance activity that is computed in accordance with Articles 10 and 11 of this Law is taxed at the rate of 55 percent, aside from income, within the limit of 10 percent, that is directed to the creation of the material and technical base for the institution of electronic payments."

V. Article 13 is deleted.

Article 28. To establish that in 1994:

- a) the tax on added value is included in the price (rate) of goods (operations, services), including imported, at the rate of 28 percent of the taxable turnover that does not include the tax on added value;

- b) the export of goods (operations, services) beyond the customs borders of Ukraine is exempt from the tax on added value, and the collection of the tax on added value on imported goods (including those that are re-exported) by the customs bodies of Ukraine at a rate of 28 percent, along with the excise fee at prevailing rates, simultaneously with the collection of customs duties and fees is instituted. The object of taxation is the customs value of the imported goods, with an allowance for the amounts of customs fees and duties actually paid (and, for goods subject to excise, with an allowance for the amounts of the excise charges), imported for personal use or production needs, for sale in free trade, as well as re-exported goods (products), imported temporarily and under the rights of commissions. The object of taxation in the subsequent sale of imported goods is the difference between the prices of their sale and the customs value, with an allowance for the amounts of customs fees, duties, the tax on added value and the excise charges;

- c) the tax on added value is not imposed on the property of state enterprises that are being privatized;

- d) exempt from the tax on added value are:

—the enterprises (associations) and organizations of the Ukrainian Society for the Blind and the Ukrainian Society for the Deaf, on the goods and services sold by them;

—the services of pharmaceutical establishments, as pertains to the sale of medicines and items for medical purposes;

—the work of forest-management enterprises to create or protect forests;

- d) the rate of the tax on added value is reduced by 50 percent on services for the delivery of newspapers and journals.

The following are deemed no longer in force:

—the second paragraph of Point 2 of Article 7 of Decree No. 14—92 of the Cabinet of Ministers of Ukraine of 26 December 1992, "The Tax on Added Value" (VIDOMOSTI VERKHOVNOYI RADY UKRAYINY, 1993, No. 10, p 78; No. 26, p 281);

—Decree No. 6—92 of the Cabinet of Ministers of Ukraine of 9 December 1992, "Taxation of Barter (Goods Exchange) Operations in the Sector of Foreign-Economic Activity" (VIDOMOSTI VERKHOVNOYI RADY UKRAYINY, 1993, No. 5, p 33; No. 49, p 458);

—the first paragraph of Point 1 of Decree No. 18—93 of the Cabinet of Ministers of Ukraine of 19 February 1993, "Provision of Agriculture With Imported Products for the Performance of Spring Field Work," in the area of the exemption of barter operations from taxation under the tax on added value (VIDOMOSTI VERKHOVNOYI RADY UKRAYINY, 1993, No. 17, p 187).

*President of Ukraine Leonid Kravchuk*

*City of Kiev, 1 February 1994*



**Decree on Law's Implementation**

944K0826B Kiev HOLOS UKRAYINY in Ukrainian  
18 Feb 94 p 3

[Text of decree under the rubric "Laws of the Independent State": "Decree of the Supreme Soviet of Ukraine on the Realization of the Law of Ukraine 'State Budget of Ukraine for 1994'"]

[Text]

**Decree of the Supreme Soviet of Ukraine on the  
Realization of the Law of Ukraine 'State Budget of  
Ukraine for the Year 1994'**

The Supreme Soviet of Ukraine decrees:

1. The Law of Ukraine "The State Budget of Ukraine for the Year 1994" takes effect as of 1 January 1994.

The values of the State Budget for 1994 are subject to quarterly reconfirmation by the Supreme Soviet of Ukraine with a regard for the results of its fulfillment over the prior quarter.

2. The Cabinet of Ministers of Ukraine:

—together with the standing commissions of the Supreme Soviet of Ukraine, will review the observations and proposals made during the review of the draft plans for economic and social development and the State Budget of Ukraine for 1994, and with a regard for the results of the work over the first quarter of the current year will submit information to the Supreme Soviet of Ukraine;

—will introduce, as of 1 January 1994, supplemental payments to specialists in education, science, culture, health care, social security and physical fitness, up to the level of the average monthly wages of workers in the national economy as a whole, until order is imposed in the pay system in the national economy. These expenditures will be financed out of general budget appropriations, and the procedure for the payment of the indicated supplements will be developed within two weeks' time;

—until the study and adoption of proposals with regard to the legislative regulation of tax concessions, not to withhold taxes from enterprises and organizations in the first quarter of 1994, regardless of the form of ownership, where the number of invalids is more than 50 percent of the total number of workers in basic production;

—will submit for the review of the Supreme Soviet of Ukraine by 1 April 1994 proposals with regard to the advisability of preserving the force of tax concessions on the profits tax on citizens as envisaged by Decree No. 12—92 of the Cabinet of Ministers of Ukraine of 26 December 1992, "The Profits Tax on Citizens";

—will proceed, in preparing proposals to alter legislation on questions of social protections for the population,

from the requirement not to permit the standard of living of invalids, retirees and children to worsen;

—will submit proposals to the Supreme Soviet of Ukraine within a month's time with regard to clarifying the Law of Ukraine "Education" in the area of material support for the students of state professional educational-training institutions;

—will study proposals of the people's deputies of Ukraine with regard to the non-application of sanction penalties toward the subjects of business activity on payments to the budget and dedicated state funds, in cases of a failure of the state to fulfill its obligations to them and adopt the corresponding resolutions;

—will resolve the question of the timely payment of the cost of power carriers and municipal services by budgetary organizations;

—will review and submit for the consideration of the Supreme Soviet of Ukraine in April 1994 proposals on the advisability of including in the composition of the budgets of the corresponding levels the funds of the State Fund to Promote the Employment of the Population;

—will clarify within a month's time the list of populated areas that are located in radioactively contaminated territory, with a regard for the criteria for designating the zones of territories envisaged by Article 2 of the Law of Ukraine, "The Status and Social Protection of Citizens Who Have Suffered as a Consequence of the Chernobyl Catastrophe";

—will settle the issues of financing facilities for social and cultural purposes and new mine construction for the coal industry.

3. The Cabinet of Ministers of Ukraine, in conjunction with the commissions of the Supreme Soviet of Ukraine on issues of the Chernobyl catastrophe and issues of planning, budget, finances and prices, will submit for the consideration of the Supreme Soviet of Ukraine within a month's time proposals for making changes in the prevailing legislation pertaining to tax concessions for enterprises, organizations and institutions that are located on territories that have been deemed category IV territories, which have suffered radioactive contamination as a consequence of the Chernobyl catastrophe.

4. The Cabinet of Ministers of Ukraine, in conjunction with the oblast and Kiev and Sevastopol city administrations and the Council of Ministers of the Republic of Crimea, will work out and put into force in the first half of 1994 an incentive mechanism for the local Soviets of People's Deputies for the receipt of additional income by local budgets, provided the excess (increase) in the amounts of production (operations, services) and the funds from the land tax across the corresponding administrative-territorial entity as a whole are used for the fundamental improvement of lands and the pursuit of land reform.

5. It is recommended that the President of Ukraine review with the Defense Council of Ukraine the question of the amounts of budgetary appropriations for defense, with a regard for the provisions of the Military Doctrine approved by the Supreme Soviet of Ukraine and the overall structure of the size, weaponry and logistical support for the armed forces of Ukraine, and submit to the Supreme Soviet of Ukraine proposals for financing the expenses for defense in 1994.

6. The National Bank of Ukraine will grant the Ministry of Finance of Ukraine, on a contract basis and within the limits of the first emission as calculated on the basis of the change in indicators of the gross domestic product for 1994, short-term credit in the amount of up to 10 percent of the quarterly amount of expenses of the State Budget of Ukraine to cover planned expenditures that are not covered by income, that are conditioned by and large by the seasonal nature of agricultural production.

*Chairman of the Supreme Soviet of Ukraine I. Plyushch*  
*City of Kiev, 1 February 1994*

#### **Conditions Within State, Private Real Estate Markets Viewed**

*944K0853A Moscow EKONOMIKA I ZHIZN*  
*in Russian No 7, Feb 94 p 18*

[Article by Yu. Kornev, head of the newspaper EKONOMIKA I ZHIZN's information center in Ukraine: "Ukraine: The Real Estate Market as a Barometer of Government Reforms"]

[Text] The situation on the real estate market is one of the most sensitive barometers of the progress of countries of the former USSR along the path of economic reforms. Here it is clear to see how the real mechanisms of property are formed.

To facilitate analysis of this problem, we will divide all real estate into two parts: that which belongs to enterprises (state as well as private), which we will call production real estate, and that which is owned by citizens as private property, which we will call citizens' property.

#### **Unfinished Projects and Others (Production Real Estate)**

The processes of destatization of property in Ukraine are determined by the laws on large and small privatization that were adopted by parliament a year and a half ago. But for all practical purposes, they have not begun to function: The 1992 and 1993 state privatization plans have come to naught, although official figures also cite such a statistic as the fact that 1,570 enterprises have been privatized. The main form of privatization today is leasing to buy. In 1993, 1,306 enterprises were privatized, and 978 enterprises were in the process. Why is property taking such a long time to find real owners? What is going on here? Who is at fault? Some see a population that does not wish to

become owners; others, a state that is in no hurry when it comes to a real transition to the market. In fact, preparations are being made for wide-scale privatization. In a very distinctive way.

Here is the point of view of an expert—the influential Ukrainian people's deputy V. Filenko: "The corporatization and breaking up of large enterprises, readjustment, commercialization, and other unavoidable preliminary measures are proceeding too slowly, and to some extent are only being mimicked. But then, the fussy changing around of signboards and the formation in the state sector of pseudo-market structures and small enterprises parasitizing state property is forging ahead at full speed. On the one hand, these are means for pumping public funds, or property, too, into private pockets; on the other hand, it is the seizure of convenient starting positions, which after the proclamation of mass privatization should automatically lead to the preferential transition of the best enterprises into the hands of privileged claimants.

According to a scenario that may be carried out, mass privatization will formally be begun at such time as the actual privatization of highly profitable enterprises is concluded. There are not a few tasty morsels, and one cannot put one's hands on them all simultaneously. So they are dallying with the privatization in order to gain time: "The lion is getting ready to spring."

But what is happening at the surface of this process? All of the laws and decrees on privatization remain only a declaration. At auctions where municipally owned enterprises are sold, which have taken place in Lvov, Dnepropetrovsk, Kiev, Zaporozhye, Odessa, and other cities, and were held, as also in the beginning in Russia (Nizhniy Novgorod, St. Petersburg) under the patronage of the International Finance Corporation (IFC), in fact what was sold was not the objects of immovable property, but the right to their lease.

The auctions themselves, especially in Kiev, proceeded in not very organized fashion—there were protests of the participants and of the procurators about the fact that a number of enterprises under dual authority were incorrectly presented for bidding. For example, a store on the first story of a departmental building has two owners—the organization that constructed the building and the municipal authorities. A whole range of enterprises was withdrawn from the trading for this reason.

The edict of the president of Ukraine on corporatization placed the beginning of privatization of medium-sized and large state enterprises on the basis of the creation of joint-stock companies. The process has really been in progress since October and November of last year. Only 78 such companies have been created.

In the Cabinet of Ministers of Ukraine, great hopes were placed on the privatization of unfinished construction projects. In October of last year, the president of Ukraine signed the relevant edict. It seemed that the matter would quickly be "wound up." After all, in the republic,

as we were informed by R. Kuzmin, a leading specialist of the Property Fund's administration of state enterprise privatization, there are 53,000 unfinished projects of state or municipal ownership, including 22,000 at which no construction was conducted in 1993, and 9,200 that are 50 percent ready and whose construction was taking twice as long as the norm.

In the middle of January throughout Ukraine, about 100 privatization projects were "put to work." And every month during the course of this year the same number should be added to those. Here it is determined that clients who have financed the construction through centralized capital investments will at sale receive 30 percent of the cost of the unfinished project, and those who built using their own funds will receive all 100 percent. The privatization of plots of land is resolved simultaneously with the unfinished project itself.

It appeared that the process would "move ahead." However, by February throughout Ukraine, only 50 sellers of dragged-out construction projects had been scraped together. The role of "dog in the manger" turned out to be played by the local organs of executive authority. In oblasts like Donetsk, Lugansk, and Sumy there turned out to be only 10 overdue construction projects apiece, and in Khmelnytskyi, not a single one. One can understand the managers' desire to hold back "their" construction until better times, to justify as state motives the necessity of its continuation. But they, as was stressed at a recent meeting at the Cabinet of Ministers, will be heard sympathetically by the privatization commission under one set of circumstances: when there are on hand or planned for the near term real funds for the completion of construction. Otherwise, the auction will judge who has the greatest opportunity and desire to bring the overdue construction project "to reason" and become its owner.

For the time being, even out of 9,200 50-percent completed projects, only three overdue construction projects have been completed. Although the number of their bypassed "brothers" promises to increase. According to data of the Cabinet of Ministers economics administration, of 343 projects planned to be put into operation by state contract, only 16 have been put into operation.

Ukraine is living through difficult times. This is the third year that the fall in production has continued, which has reached catastrophic bounds. The control levers over the money supply have been lost. The average monthly inflation rate reached 80 percent in December, that is, the stage of hyperinflation began. The population's standard of living was reduced to such an extent that one segment of the citizenry is forced to worry about physical survival. This is an unprecedented situation for a country not in a state of war. It would probably not be an exaggeration to say that Ukraine's path to a new democratic society and a market economy has turned out to be more difficult than that of other European countries that have escaped from totalitarianism. It is difficult to expect that the private sector will begin to invest its

capital on a massive scale in industrial immovable property in conditions of economic instability and a lack of clear legal guarantees.

#### **Apartments, Dachas, and Garages (Citizens' Immovable Property)**

The housing market, essentially, has always existed. It is just that in different times, its affiliation with such of its forms as legal, semilegal, and "black" has changed. After all, 10 years ago everyone also knew perfectly well that an exchange of apartments was a veiled form of trade in them, and that the office dealing with apartment exchanges and the placement of advertisements simply screened a ramified network of apartment brokers, who clearly knew the price of a square meter of living space.

The housing market began to take on clearer outlines in the past four years. This is connected most of all with the appearance of more liberal legislative acts and with buyers and sellers having more precise information on prices for real estate, thanks to numerous advertisements and announcements in the press and the emergence of exchanges and real estate agencies, specialized brokers' offices, and a ramified network of middlemen.

"Three years ago," says L. Gruskene, president of the Kristina Ukrainian real estate exchange, "we were selling apartments for R30,000, R50,000, R70,000, whereas now the tally is kept in the hundreds of millions of karbovantsy. At the end of 1990, one could buy a good two-room apartment in downtown Kiev for \$2,000-\$3,000. And when we cited such prices to buyers, they perceived them as absolutely improbably high. Whereas now such an apartment is evaluated at seven or eight times higher."

In 1991-1992, the high cost of housing in Kiev was determined by the projected interest in Ukraine on the part of foreign investors, who were attracted by the new markets, the highly optimistic statements by the Ukrainian leadership on the building of a market economy, and the liberal law on foreign investments. They actively acquired apartments for offices and agencies. This also applied to Ukrainian commercial structures, the entrepreneurial elite, who purchased prestigious housing in the central part of the city.

Now purchasing power is falling. The interest of foreigners in Ukraine, as a result of economic instability and the absence of legal guarantees, has declined sharply. Our own nouveaux riches have basically satisfied their own requirements.

There is now on the market a large quantity of mid-level apartments, which are not finding buyers. Their potential takers are people of fairly decent means, but they do not have the necessary funds at their disposal. Therefore, demand for real estate is falling. Over the year, prices for an apartment in Kiev have fallen by 15-25 percent.

Here is the analysis presented by the analytical service of the Ukrainian exchange Desyatinnaya, which is a leader



in the sale of apartments, dachas, and garages. The volume of deals involving real estate in 1993 comprised 178.5 billion karbovantsy. The number of contracts concluded was 3,470. At the end of December 1993, the proportional share of apartments according to location in the total volume of those available constituted: apartments located on the outskirts of town—29 percent; downtown—27 percent; near metro stations—26 percent; in regions adjoining downtown districts—19 percent. The greatest proportional share in the total volume of those available was made up of three-room apartments—38 percent—and two-room apartments—37 percent. One-room apartments make up 14 percent of the total. The average price of a single square meter of housing space amounted to: for apartments located in the center of town—\$940; in regions adjoining the center—\$795; near metro stations—\$572; and on the outskirts of town—\$502. The offered cost of one square meter of living space at the end of December 1993, as compared with the beginning of the month, decreased by 3 percent, on average. Prices for apartments of various classes in the city of Kiev are given in the table.

It is necessary to keep in mind here that an analysis of concluded deals pertaining to real estate in Ukraine is made more complicated. The government decree adopted at the beginning of the year on currency regulation prohibits settlements on the exchanges from being conducted in foreign currency. And hyperinflation renders senseless the calculation of real estate values in Ukrainian karbovantsy. Therefore, the reality is such: The contract, for the record, is concluded in karbovantsy, but is in practice settled in dollars or marks. Here their own collisions could arise, but the brokers have learned to get around them.

In the opinion of S. Babich, general director of the Ukrainian exchange Desyatinnaya, 30 percent of those who now sell apartments effect their resale at a profit to themselves.

"In order sharply to decrease the price of apartments offered for sale and to find an additional source of replenishment for the city budget," he notes, "We proposed to the Kiev administration to sell at auction 100-200 newly constructed apartments quarterly. But they did not do this. But really, at that time there was the possibility of creating a full-blooded real estate market and to regulate it in the interests of various strata of the population."

Aside from Kiev, the sale and purchase of citizens' real estate is fairly well developed in Kharkov, Lvov, Odessa, and Crimea. In these cities, the cost of housing amounts

to on the order of 60 percent of that in the capital. In contrast to the Baltic countries, Central Asia, Transcaucasia, and Moldova, in Ukraine the migration of the Russian-speaking population to Russia has practically not been felt in the housing market. A portion of the well-off citizens of Ukraine has displayed a desire to acquire real estate in Moscow and in other cities of Russia. But the share of buyers from the CIS among those wishing to become owners of real estate in Ukraine is negligible.

Among the most famous firms involved in the purchase and sale of apartments, dachas, and garages, in Ukraine the most famous are the Ukrainian exchange Desyatinnaya, the Ukrainian real estate exchange Kristina (which is a component of the Praveks concern), the Kiev Universal Exchange, the Yanus real estate agency, and Kommersant-D in Odessa. These and other firms at the end of 1993 signed a founding agreement on the creation of the Association of Realtors of Ukraine, whose president is to be N. Detochka, head of the Kiev Universal Exchange. The task of the association is to create consultative information services and to facilitate collaboration with its colleagues in different countries.

The law adopted in Ukraine last year on mortgages gives an opportunity to develop mortgage lending. And the unquestioned leader here is the Praveks concern. Two of its component members, the Ukrainian real estate exchange Kristina and the Praveks-bank, are engaged in the apportionment of currency credit to physical persons under security of immovable property, especially apartments. Here, you will not get a loan greater than half the value of your apartment in dollars, and if you fail to return the amount, the apartment will be sold at a profit. Besides the Praveks-bank, the banks IKAB (Kiev) and Land Union (the city of Chernovtsy) are getting involved in mortgages.

Since the Ukrainian International Currency Exchange was closed, the real estate market has remained just about the only barometer allowing for a determination of real benefit from the government reforms. Therefore, when asked for a prognosis of real estate prices in 1994, Ukraine's realtors give roughly the following answer: "Let us wait until 27 March." That is the date of the elections to the republican parliament.

So then—the market really is eternal and has existed always. Only in three guises: legal, semilegal, and "black." The Ukrainian market will be kept from "blackening" further simply by social pressure of the population, which has reached its limit. There is only one way out: to become legal. And this will probably be the main task of the party in power.



## Offered Prices at Trading on the Desyatinnaya Ukrainian Exchange for 15 January 1994

Apartments	Average price, thousands of dollars	Price of 1 square meter of living space, dollars	Price of 1 square meter of general space, dollars
<b>One-room apartment</b>			
Downtown	18	931.6	479.1
Adjacent to downtown area	12.9	716	378.2
Near a metro station	9.8	573	304.2
On the outskirts	8.7	520.7	272.9
<b>Two-room apartment</b>			
Downtown	32.4	900.8	547.8
Adjacent to downtown area	22.8	721.2	450.7
Near a metro station	15.1	508.7	318
On the outskirts	13.5	450.6	284.2
<b>Three-room apartment</b>			
Downtown	51.9	966.6	633.5
Adjacent to downtown area	39.9	808.7	545.4
Near a metro station	23.5	539.8	368.2
On the outskirts	21.1	489.4	324.3
<b>Four-room apartment</b>			
Downtown	72.4	962.6	649.1
Adjacent to downtown area	59.1	932.9	630.6
Near a metro station	36.7	665.3	442.5
On the outskirts	30.5	546.6	369.3

**Democratic Forces Platform Given**

944K0778A Kiev LITERATURNIA UKRAYINA  
in Ukrainian No 6-7, 10 Feb 94 p 5

[Election platform by the Democratic Forces of Ukraine,  
drafted by Prof. V. Pylypchuk, Ukraine people's deputy]

[Text]

**1. To stop inflation:****1.1 to close the budget deficit by means of:****a) increasing revenues by means of:**

- abolishing all tax relief to all enterprises except ones employing the handicapped;
- reducing tax rates to stimulate economic activity;
- shifting to taxing prices (sales turnover), thus eliminating the cause of revenue shortfalls due to corruption;
- and, implementing mass privatization, which will raise budget revenues.

**b) Reducing budgetary outlays by means of:**

- ending financing of capital investment by enterprises;

—liquidating industry management entities and their managerial structures at enterprises (reducing expenditures on management);

—and, limiting migration to Ukraine by retirees from other countries.

**1.2 To close the foreign trade deficit.****a) To increase exports by means of:**

- abolishing export licensing;
- reducing export tariffs;
- and, putting an end to mass uncontrolled smuggling of goods out of Ukraine, stimulating the development of export potential.

**b) To reduce imports by means of:**

- restructuring the existing Ukrainian industrial complex to produce import substitutions and reduce the dependence of the Ukrainian economy on traditional suppliers;—attracting foreign investors with tenders for the production of import substitutions;—diversifying and converting enterprises of the military-industrial complex;—increasing protectionism in nonessential imports;—implementing competitive sale of convertible currency for essential

imports;—shifting from centralized distribution and sale to sale and distribution using free market structures;—dissolving the discriminatory agreement with Russia whereby Ukraine bears the responsibility for the debt incurred by Ukrainian businessmen to Russian ones, while Russia bears no such responsibility;—introducing a system of import preferences for raw materials and advanced technology;—intensifying the exploitation of old, and exploration for new, deposits of oil and gas (as well as other resources);—

—and, developing alternative types and sources of energy.

1.3. To eliminate the imbalance in the supply of goods and money on the Ukrainian market.

a) To increase the supply of goods and property, by means of:

—turning factories, plants, stores, land and housing into salable property;—increasing the stimulus for raising the production of goods and services by privatization;—conducting industry-based tenders for foreign investors (in the course of privatization) to produce goods which are in short supply in Ukraine;—and, effecting liberalization.

b) To reduce an inflation-producing monetary overhang, by means of:

—banning the National Bank of Ukraine from issuing unsupported (product-less) currency;—banning the National Bank of Ukraine from selling commercial banks reserves as credit resources;—banning commercial banks from issuing loans to loss-making companies;—ensuring positive borrowing rates (credit policy);—banning the Finance Ministry from deficit-funding government expenditures;—raising the velocity of money;—adopting the practice of seeking guarantees from foreign parties for payments to Ukrainian exporters;—abolishing state orders for foreign purchases;—and, establishing a system of economic sanctions for the sale of Ukrainian goods abroad at dumping prices.

To implement monetary reform when inflation is stopped.

**2. The introduction of the hryvnya**

2.1. Before the hryvnya is introduced, a stabilization fund should be created, to consist of:

—hard currency revenues from the sale, by international tender, of unfinished construction projects (based on the state privatization

program);—short-term hard-currency loans from the population (for the period of 2-to-5 months);—assistance from the International Monetary Fund;—and, golds and precious stones mined in Ukraine.

2.2. To build capacities in Ukraine for:

—stamping coins, printing money and producing special paper and ink.

2.3. To introduce the hryvnya at the start of mass privatization.

**3. Privatization.**

3.1. To implement privatization in a very short time period by subscription to stocks and property through a single computer network and a unified data bank, which will ensure that:

—privatization is not an uncontrolled grab for property;—corruption is eliminated from the entire process;—all citizens of Ukraine have equal access to property, independent of location of the property or place of residence;—due to cross-ownership among east and west and north and south, separatist tendencies are reduced and interethnic tension diminished;—investment is attracted along with privatization;—citizens are compensated for the loss of the purchasing power of money stemming from inflation (by payment in kind);—the privatization process is quickly completed, thus improving stimuli for better work;—citizens' social security is taken care of (with the distribution of property), giving them an opportunity to enrich themselves and the state;—the high level of exploitation and one of the main sources of inflation is liquidated, which is connected to the gap between labor input (or produced output) and wages (at private and stock companies salaries are considerably higher than at state enterprises);—and, at the same time, the responsibility of all workers for satisfying consumer demand for goods and services is increased.

**4. Division of power and responsibility at different levels of power.**

4.1. The central government will retain the responsibility for:

—international relations, macroeconomic policy, defense, basic scientific research and control over the implementation of the constitution and the laws.

4.2. The regions will retain the responsibility for:

—local economy and protection of civil order.

- 4.3. The regions and the central government will bear joint responsibility for:

—education, culture, health care and environmental protection.

- 4.4. The enterprises will have the responsibility for:

—applied research;

—creation of national income; improving efficiency of economic activity;

—competition and bankruptcy; analysis and forecasts of market conditions;

—independent creation of domestic and foreign economic ties, prices, range of products and services they intend to provide and disposition of profits as well as forms, methods and level of wages (total freedom of enterprise);

—and, the environment.

- 4.5. Budgets and revenue base will be distributed in accordance to articles 4.1. to 4.4. (budgetary independence).

- 4.6. The regions will be subordinate, accountable and responsible to the central authority in areas which are funded from the general state budget, in issues of upholding Ukrainian laws and in the implementation of reforms.

- 4.7. While balance in relations between them is being reformed, mutual support by the legislative and executive power should be bolstered by means of:

- a) limiting the authority of the President of Ukraine to the functions of the head of state;
- b) the President of Ukraine has the responsibility of appointing the Prime Minister, with the consent of parliament;
- c) after its nomination by the Prime Minister, the entire Cabinet of Ministers of Ukraine is to be confirmed by the Supreme Council of Ukraine;
- d) if a government resigns, the Supreme Council will immediately suspend its own authority (new elections). This clause will increase the responsibility of the Ukraine Supreme Council both for nominating the Cabinet of Ministers and for cooperating with it (for the state of affairs in the government). Local authorities will function similarly.

##### **5. To ensure reliable social security for the population.**

- 5.1. For the pensioners:

—by providing pensions equal to 70 percent of workers' wages; stopping migration to Ukraine

by pensioners who are not Ukraine citizens; and, providing special assistance to the handicapped and the poor.

- 5.2. For large families (poor), to provide child assistance in kind to bring them up to the poverty level.

- 5.3. To eliminate the negative consequences of the rise in unemployment (beyond the existing system of payments to the unemployed):

- a) to eliminate absolute unemployment (when the number of existing jobs is smaller than the number of people in the workforce), by means of:

—first, extending maternity leave for mothers until the child reaches the age of up to six years. In this case, all budgetary expenditures on preschool care should be passed on to mothers. This approach will help achieve other social goals: the child will get more education and care in the family;—family upbringing and care will reduce disease, improve moral aspects of child rearing and strengthen ties and mutual understanding between children and parents;

—second, increasing the number of jobs for underemployed professions using funds from the budget;—and, third, establishing and developing market infrastructure by transforming unemployed collectives into marketing and monitoring services, market study groups, brokerage houses, banks, etc.;

- b) to eliminate relative unemployment (if in the country overall the number of jobs is greater than the number of people in the workforce):

—regional unemployment (in cases when unemployment exists in one region while another suffers from a labor shortage) will be eliminated by means of an accelerated privatization of housing and creation of a housing market. In this case, the unemployed will be able to sell their housing in the region where there is unemployment and buy it where there is a labor shortage. This approach does not require budgetary expenditures;—skills and professions-related unemployment (in cases when a region has job vacancies but job requirements call for different skills or professional qualifications than those possessed by the local unemployed) can be eliminated with the help of budget funds (an unemployment fund) and funds from enterprises, by providing professional retraining for the unemployed. In this area, organizational work will be provided by the Ukraine employment service, once it gets the necessary authority.

5.4. To repay domestic debts to Ukraine citizens.

- a) To compensate citizens for the loss of value of their savings by means of:

—transferring state property in the course of privatization, with the help of privatization certificates, and indexing average annual account balances and using them as funds for privatization.

- b) To repay USSR state obligations, by means of:

—exchanging them for Ukrainian state debt (when it is issued);—indexing the obligations and transforming them into possible means of payment in privatization;—and, in the next four years, repaying in cash the indexed value of the obligations to those citizens who decide not to use them as a means of payment in privatization.

- c) To repay winning claims in cash and property lotteries of the former USSR, by means of:

—repaying monetary prizes in the course of four years, based on the actual value of property that has been won.

5.5. While implementing reforms, to ensure their social orientation in the following areas:

—income growth;—increase in the living standard;—opportunities for family vacations, including also abroad;—protection for economic interests of individuals;—social security for individuals;—protection for the family;—inviolable right to housing and other property;—reduction of the fiscal responsibility of the state for individuals and businesses;—development of the paternalistic concern for workers on the part of enterprises;—freedom to choose employment and to dispose of property;—and, environmental protection.

6. *Reform of the agricultural sector.*

6.1. To divide productive land into three categories.

- 6.1.1. Reform of land property rights should be carried out based on the following division:

—first, land that lies fallow (where kolkhozes and sovkhoses have been dissolved) or where there is no productive population;—second, land that belongs to functioning kolkhozes and sovkhoses which have no hope of repaying their debts;—and, third, land that belongs to economically viable kolkhozes and sovkhoses.

- a) Land of the first category should be leased to everyone who is willing to become a farmer, for a period of five years. If in five years they become efficient producers, their land will be given to them free of charge, as their property. If they are unable to obtain projected yields for the crops that they cultivate (productive exploitation), they would be able to purchase that land or it would be leased to others for the period of five years;

- b) kolkhozes and sovkhoses functioning on land of the second category should be offered to divide their land and property, so that those who wish could leave them and become independent farmers. Other kolkhoz members could use their shares to set up cooperatives, collective farms or proprietor and shareholder associations. If members of a kolkhoz agree to this type of reform, the state will assume (write off) its hopeless debts. If they do not, such kolkhozes will be declared bankrupt and their property will be leased to those who wish to become independent farmers (in accordance to the process described in Article 6.1.a.);

- c) collective farms functioning on land of the third category will not be reformed or reformed only with the consent of their labor collectives (to prevent the repetition of the mistakes of 1930-33, when strong farms and farmers, those who fed the country, were liquidated). However, all agricultural management entities will be eliminated (RAPO, OAPO and others), and agricultural workers will become entirely free and independent in their economic activity. After reform, land owners will decide themselves, in the conditions of a free market and competition, what is the best form of organization for agricultural production: some farmers will join together and perhaps some kolkhozes will split up (of those belonging to the third category of land), but it will be as the result of the natural choice and needs of the owners themselves.

6.1.2. Diversification of farm activities.

It is a known fact that underdeveloped nations sell raw materials and not finished goods. The same is true in farming. For example, in November 1993 the state bought 1 kilo of meat for K9,000 and sold 1 kilo of sausage (made of 2 kilos of meat) for K100,000.

We propose:

- a) in 1994, at the initial stage of reform, to instruct the processing industry to pay for processing agricultural raw materials with a share (of up to 25 percent) of finished output. (So that up to 75 percent of prepared



sausage, butter, sugar, etc. will revert to agricultural enterprises. By selling finished products, agricultural workers will considerably improve the financial health of their farms.)

- b) To order from the military-industrial complex (where capacities remain idle) a required quantity of small-scale but fully automated meat processing, butter producing, cheese making, vegetable preserving (canning) and baking plants which would be built on the countryside. To transfer (or auction) some stores to the agricultural sector. In this case, all the profits which today accrue to purchasing, transportation and processing entities, as well as wholesale and retail trade, will go to producers not of meat and corn, but of finished products (i.e., sausage, butter, etc.) on the countryside. In this case, workers on the countryside will no longer need subsidies: their farms will be highly profitable.

- c) Financial assistance for the countryside.

Existing countryside subsidies in the budget should be retained, for the following purposes:

—to order fully automated plants for the processing of vegetable and animal products (for the time period necessary to the countryside to build up its own processing base);—for the purchase of agricultural machinery for newly created farms (for a period of one year);—for the purchase of mineral fertilizers and means of chemical protection of crops (herbicides, defoliants, insecticides, etc.) for a period of two years following reform;—subsequently, financial subsidies would be redirected to the development of the social infrastructure.

- d) To develop full and wasteless processing of agricultural products on the countryside:

—feathers, hides, horns, hooves, etc., with the goal of improving the efficiency of production.

#### **7. To safeguard economic security of Ukraine by means of:**

—diversifying the supplier base;—diversifying markets for Ukrainian output;—diversifying entities involved in foreign business activity;—diversifying functions of enterprise;—building up state supplies and reserves;—freeing up enterprise;—reorienting domestic production toward import substitution;—adopting protectionist policies;—intensifying exploration of domestic deposits, including also of energy sources;—developing energy production

using domestic sources;—introducing new, alternative sources of energy;—developing export potential of Ukraine;—de-monopolizing the economy and encouraging competition;—stabilizing the monetary system and introducing currency convertibility;—banning the sale of Ukrainian territory;—improving the living standard of the population by means of reform;—the banking system;—business relations;—the payment system;—state economic regulation;—and, development of property market infrastructure.

#### **8. Economic management in the state sector.**

##### **8.1.**

- a) The enterprise manager in the state sector of the economy will be hired on a contract basis and is the only and plenipotentiary representative of the state (as the owner of the property) at the enterprise. He organizes the work of the enterprise within the limits of, and based on, existing laws of Ukraine;—contract provisions and conditions set by the state property fund.

Within the constraints set by contract provisions and conditions set by the state property fund, the manager bears sole and personal responsibility before the Ministry of the State Sector of the Economy.

- b) The manager hires all enterprise employees on a contract basis and can fire any of them for violating contract provisions or based on a court decision.

- c) The following indicators of efficiency of the use of state property will be used:

—productivity growth rate;—growth rate for return on capital;—growth rate for competitive output production;—relationship between growth rates of the salary fund and of output, in comparable prices;—indicators of reorientation of the Ukrainian economy;—import-export balance;—share of output sold domestically in Ukraine.

##### **8.1.2. The Ministry of the State Sector of the Economy has no right to:**

—establish managerial superstructures over the enterprise;—require the manager to provide any information, excluding specified statistical data;—insist on the implementation of any orders relating to the economic and financial, business or scientific and technological activities of the enterprise;—change conditions of the contract with the manager;—remove the manager if he carries out contract provisions, if the enterprise conforms to established

indicators and if the activities of the manager and the enterprise are in accordance with existing laws and fulfill the requirements of the state property fund, based on specified conditions.

8.1.3. The state property fund determines for the manager:

—the share of the property that can be used as a collateral. Agreements which exceed the share limit set by the fund are declared null and void at the time of their signing;—and, targets for privatizing enterprise property.

8.1.4. In connection with the transfer to the Ukraine Cabinet of Minister of responsibility for managing the property of the state, to create the Ukraine Ministry of the State Sector of the Economy, the main functions of which will be:

—to establish, reorganize and liquidate state enterprises and to approve their statutes;—to hire and remove enterprise managers, in accordance with Ukraine laws and contract provisions;—and, to organize the implementation of planned annual inspections of enterprise financial and economic activities in order to exercise control over effective use of state property. Inspections may not exceed 20 calendar days.

8.1.5. In every enterprise, a supervisory committee will be established, comprised of three persons drawn from its employees, who will function as representatives of, and will be appointed by:

—the Ukraine Ministry of Finance, the state property fund and the Ministry of the State Sector of the Economy.

The supervisory committee at every enterprise will be set up by the joint decision of the above-mentioned organizations. Members of the supervisory committee can function as such at several other enterprises (excepting competing enterprises).

Members of the supervisory committee must be appraised of all contracts of the enterprise, instructions from the manager and financial documents;—they will supervise compliance with laws and contract provisions and analyze the effectiveness of the utilization of property in accordance with the established indicators. When violations are uncovered, they will be obligated to report them to those organizations that have appointed them. Members of the supervisory committee will not be allowed to ask for information from the manager and other enterprise executives or demand explanations from them, but will be able to submit requests for

additional information. Members of the supervisory committee will not have the right to give orders to the manager and enterprise employees, but can provide optional advice.

Members of the supervisory committee will not be allowed to divulge, orally or in writing, any information which concerns any aspects of enterprise activities, except to the organizations by which they have been appointed. Those guilty of disclosure of information will be prosecuted.

8.2 Macroeconomic regulation.

8.2.1. Activities in the economic area will be divided as follows:

- a) the state will not intrude in any way in the business and financial activity of enterprises (state no more than private ones). The state will not be involved in trade (either domestic or foreign). Those functions will be fully transferred to enterprises.
- b) The state will influence the economic situation in the country only by interest rate, credit, exchange rate and monetary policies, reserve requirements, tax rates and protectionist policy, as well as by means of quotas, preferences and sanctions.

**Trust Associations Permitted Intermediary Role in Privatization Efforts**

944K0869A Kiev *VECHIRNIY KYIV* in Ukrainian  
5 Mar 94 p 2

[Article by the Expert-Analysis Department of the Joint Stock Company "Kinto": "Only Financial Intermediaries Are Capable of Getting 'Voucher' Privatization Moving in Ukraine: This Is What the Experts of the Trust Association 'Kinto-Trust' Think"]

[Text] Recently in certain mass media organs, an ugly campaign has appeared concerning the trust associations which perform services in the distribution of privatization funds for the population. Today, we present the thinking of experts on the matter of the privatization funds.

Ukraine is not the first country to take the path of privatization, in which privatization documents are used to pay for objects of privatization—in our case, privatization property certificates. And even though in each of these countries, the processes of privatization have their own national specifics, one thing, certainly, is shared: the very broad participation of financial intermediaries in them—investment funds, trust associations, and the like. Thus, two-thirds of the citizens of the Czech Republic and Slovakia have used the services of investment privatization funds in the distribution of their privatization funds, and investment funds in Russia have already collected more than half of all vouchers.

Perhaps one of the main reasons why privatization, especially "voucher" privatization, is going so slowly in Ukraine, has been the absence of institutions capable of giving the population qualified help in the distribution of privatization funds. Today in Ukraine, only one percent of the population has used its right to obtain privatization documents and invest them in objects of privatization. The majority has invested in the enterprise in which they work. However, significant categories of citizens are deprived of this possibility. They are forced to seek, independently, objects for the investment of privatization funds, and to resolve on their own all questions connected with the exchange of property certificates for the stock of a given enterprise. Anyone who has made such attempts knows how complex this procedure is, considering the mechanism for the use of privatization funds that exists in Ukraine. Moreover, the problem of choosing an enterprise is complex enough in circumstances of an almost complete information vacuum.

The awarding of licenses by the Fund for Ukrainian State Property for work with the privatization funds of the population to the trust associations (in Kiev, "Kinto-Trust" was the first to work with them) has, at last, made it possible for most of the population quickly and effectively to use the right of every citizen of Ukraine to privatization funds. What are the advantages given by the transfer of privatization property certificates to the management of a trust association? First, there is the possibility of using the services of genuine professionals in a field of financial activity, eliminating the necessity of independently, at one's own risk, seeking directions for the profitable use of privatization funds, and most of all, the possibility of influencing the activity of these joint stock companies.

Recently, various conjectures concerning the intermediaries which provide services in the distribution of privatization funds are spreading more actively. Perhaps it is advantageous to certain circles that such institutions, capable of directing the privatization of property on a professional basis, not arise in Ukraine. It will be much easier if these stocks are scattered among thousands of stockholders, each of whom will be deprived of any influence on the activities of the joint stock companies, rather than to have to deal with an investment fund or trust association, which, because of the unification of the votes of individual investors, will be capable of protecting their interests.

What sorts of accusations are being made against the trust associations? First, it is said that they do not indicate guaranteed dividends. This accusation can only be made by people who are not competent in this question, since in no civilized country does a joint stock company indicate the scale of dividends in advance. They are set according to the results of the work in the course of a given period at meetings of the joint stock company. The following reproach is also made concerning the trust associations: the trusts wish to use the funds for their own goals, without buying anything. But

this anxiety lacks any basis at all. The privatization property certificates are not cash, or even Russian "vouchers;" they can only be used to pay for stock in enterprises that are being privatized. In this case, the interests of the trustee and the trust coincide, since until privatization funds are invested, they do not provide any profit. The circumstance that the trusts do not indicate definite terms for investing the trustees' funds in stocks also worries many. But the task of the trust is not to invest privatization certificates in the first enterprise that comes along, rather precisely to choose those that will provide profits; the trust bears the ultimate responsibility for this to the trustee. In this, a great deal depends not on the trust, but on government organs, and how fast the process of privatization is carried out. Now a great number of the most promising state enterprises are getting ready to become stock companies. The enterprises which have already offered their stock for privatization documents, are not among the most interesting ones from the point of view of the investor. And the final thing concerns the terms. Some of the "well intentioned" are advising that people not hurry to entrust their privatization funds to a trust. It is known that the term of action of the privatization funds in Ukraine will finish in 1995, and the majority might simply not be able to take advantage of them.

#### **Commercial Structures Force Food Prices Down**

944K0869B Kiev *VECHIRNIY KYIV* in Ukrainian  
2 Mar 94 p 1

[Article by Volodymyr Chikalyn: "Overcreamed, Over-sweetened, Overdistilled"]

It seems that we are already seeing market relations with our own eyes. Here is just one example.

In state stores, through February sugar has gone at a price of 14,500 karbovantsy, and in commercial structures from 10 to 14 thousand per kilo.

I have data which show that commercial structures purchased in Germany dozens of metric tons of cream, and offered it to wholesale customers at 40 to 50 thousand per kilo. But the lack of cash keeps it from going out to the store shelves in large amounts. And state trade still dictates the price for cream. Though customers are boycotting them, because of a lack of money. Today, the pace of the sale of cream has significantly decreased.

A similar picture is noted for distilled substances. The state is experiencing great losses from the fact that the necessary funds for sale of "80 proof" are not coming to its treasury. Not because people have stopped drinking it. They drank it, and they drink it. But not the drinks that state trade offers. The potential customer is getting around the high prices.

So it turns out today that commercial structures have "knocked down" state prices, which are set in an unknown manner, no one knows by whom. If they are oriented toward world prices, then we for a long time we

have already been making our own "price cereal" over-distilled, oversweetened, and overcreamed. So it is not strange that commercial structures, which have free funds, have begun to buy cream, sugar, and distilled products where they are significantly less expensive. And state trade, because of a lack of cash, cannot do this, and offers us goods at the prices which have been set.

The assistant head of the committee on pricing policy of the city state administration, Lidiya Tymofiyivna Tolstykh, explained the situation the same way. She stated that guaranteed prices for sugar and cream (80 thousand karbovantsy and 30 percent "overcharge") are nevertheless a guarantee that people will have the possibility of obtaining these products.

A lowering of prices for distilled goods is awaited. Kiev factories have already begun putting out this production at the new prices. But until the "old" production is sold, we will not see a lowering of prices.

A conclusion can be drawn: to make things a little less expensive, today we all have to buy at "stinging" prices. But the majority of us cannot do this. How do we get out of this trap? Today there is a glimmer of hope that the competition from commercial with state trade will somehow resolve this issue.

#### **Karasyk on State of Agrosector**

944K0859A Kiev PRAVDA UKRAINY in Russian  
4 Mar 94 pp 1-2

[Interview with Yuriy Karasyk, minister of agriculture and foodstuffs of Ukraine, by Georgiy Simakovich; place and date not given: "Ukraine Has Gone To Work the Field. God Grant It a Good Crop!"]

[Text] Spring has always been a time of hopes and expectations for the tillers of the land. Now that the shelves of delicatessen stores are becoming more desolate and the consumer basket of foodstuffs for the majority of common citizens is becoming scantier with every passing day, an increasing number not only of villagers but of city folks, too, turn their mind's eye to the future harvest. Will we succeed in making it a full-fledged one, in the environment of the most severe economic crisis and an acute shortage of many material and technical resources? How will the villagers be able to counteract a shortage of motor fuel and lubricants, fertilizer, pesticides, and finally, the deficit of monetary funds, apart from pure enthusiasm and the perennial patience of the peasants? After all, the well-being of each family, of each of us, depends on this to a significant, if not decisive, degree. This is why the editorial office resolved to approach, so to say, the main agrarian of our state—Minister of Agriculture and Foodstuffs of Ukraine Yu.M. Karasyk—with a request to discuss the specifics of the forthcoming field work and the way in which problems associated with them are being solved.

[Simakovich] Yuriy Mykhaylovych, at the beginning of March in years past, newspapers were usually replete

with reports about kolkhozes and sovkhoses completing repairs of machinery, about machinery already being at the ready at leading farms, and so on. This year, the weather has made its contribution to the heap of economic problems in which the rural areas are drowning. In a day or two, it will be time to talk about going out to the fields. However, this is perhaps not the main peculiarity, is it?

[Karasyk] Why in a day or two? In the south, spring field work is already getting under way at full tilt. Soil is being prepared in the fields for spring crops, and moisture is being sealed in Crimea, Kherson Oblast, Odessa Oblast, and in some locations in Transcarpathia. Neither we nor the meteorologists could have predicted this abrupt warming up—in Crimea and the Kherson area, the temperature already reaches 17-18 degrees during the day. Meanwhile, the reserves of moisture in the soil are catastrophically small because of a winter without snow; in the south, they do not exceed 60 percent of the optimal norm. It has come to signs of dust storms already being noted at some localities in the region—the wind picks up and blows away the topsoil, the most fertile layer. Under the circumstances, it is very important to retain, as much as possible, at least the paltry resources of moisture that are still found in the soil. To this end, it is necessary to reduce the length of conducting field work to the bare limit and emphasize mainly its quality. Here is one of the peculiarities of this spring for you, and unfortunately, not the most important one.

[Simakovich] Does the main peculiarity concern perhaps the lamentable condition of winter crops?

[Karasyk] Absolutely correct. The severe freezing temperatures of November literally came down on the soil unprotected by snow and did irreparable damage to areas planted in winter crops. It is particularly regrettable that the southern regions, the main suppliers of winter wheat grain, have suffered the worst. In Crimea, about 90 percent of the area planted in winter crops will have to be replanted, and in the Kherson area—up to 70 percent. The state of affairs is not much better in Zaporozhye and Nikolayev Oblasts. By all signs, replanting will come to no less than 30 percent in Ukraine as a whole. This is not all yet. In the fall, the farmers did not manage to turn over 4 million hectares of the fallow land because of a shortage of fuel and the early onset of freezing temperatures. Judge for yourself what volume of work must now be performed in the spring, and that within the shortest period of time possible.

[Simakovich] How will the farms cope with the enormous amount of work, and in the environment of an acute energy crisis, the now chronic shortage of mineral fertilizer, pesticides, and so on?

[Karasyk] Well, everything does not look as dramatic as you imagine. The point is that all measures are now being taken with a view to urgently transporting the



necessary quantities of gasoline, diesel fuel, oil, mineral fertilizer, and spare parts to the southern zone.

[Simakovich] However, I hope that this is not being done at the expense of other oblasts.

[Karasyk] Of course not. I do not want to be overly optimistic, but I do count on reserves of motor fuel and lubricants for the successful conduct of the full volume of spring field work being found in Ukraine.

[Simakovich] Yuriy Mykhaylovych! Increasingly loud voices are now referring to the insolvency of an overwhelming majority of farms, to kolkhozes, sovkhozes, and farmers, too, just having no funds to settle for motor fuel, fertilizers, pesticides, and machinery. Where is a way out of what would appear to be a hopeless situation?

[Karasyk] This is how the issue was raised: How to conduct spring field work without additional credit? In Ukraine as a whole, 30 trillion karbovantsy are needed to this end. Kolkhozes and sovkhozes simply do not have that kind of money. Under the circumstances, the government resolved to allocate a budgetary loan of sorts to the rural areas. In general outline, this is how it will look. The state undertakes to supply the farms with fuel, mineral fertilizer, pesticides, and spare parts. Kolkhozes and sovkhozes settle for this later with the output produced, that is to say, they receive all resources against a pledge of products. Calculations indicate that only 25 percent of the output produced on the farms will be required to pay back this loan, and the farms will dispose of the remainder on their own. This is the only acceptable scenario under the conditions of a payment crisis.

[Simakovich] What if yet another round of increases in the price of refinery products occurs?

[Karasyk] The course has been set for strictly fixed prices for motor fuels so that this will not happen, and so that prices for agricultural products will cover outlays on fuel. Thus, one liter of gasoline should cost no more than 4,150 karbovantsy, and diesel fuel—no more than 3,900 karbovantsy.

[Simakovich] However, the fate of the harvest hinges not only on the availability or absence of motor fuel, but also on a multitude of other components.

[Karasyk] Correct. However, first of all I would like to inform the readers that refinery products are already reaching rural areas. I think that the fertilizer situation will change substantially, too. Last year, one-half of the usual amount of mineral fertilizer was given to the land. This will not recur now. The government has proceeded to sharply reduce rates for gas and electricity for enterprises manufacturing mineral fertilizer. Therefore, it will now be profitable for the chemical industry to manufacture it, and for the peasants to buy it. I will add that Russian rubles have also been allocated to purchase phosphoric fertilizer and spare parts for agricultural machinery in Russia, and potassium fertilizer in Belarus.

Finally, within days, the United States will be opening for us a credit line for the acquisition of pesticides.

[Simakovich] So, does it turn out that rural areas will not be left one-on-one with their problems?

[Karasyk] Of course they will not. Nonetheless, the picture does not look as rosy as we would like it to. Last year, nature was a great help to us. However, only selfless, high-quality work, excellent seeds, and the timely performance of all technological operations of the spring complex may save the crop this year. Previously, we did not have the experience of operation in the extreme conditions of a payment crisis. We are now acquiring this experience. In this instance, it is very important for the state to keep its word and not dash the hopes and expectations of the peasants.

### **Pylypchuk Hits Government Economic Policy**

944K0874A Kiev *MOLOD UKRAYINY* in Ukrainian  
5 Mar 94 p 2

[Interview with Volodymyr Pylypchuk, chairman of the Parliamentary Commission on Economic Reform, and Pavlo Minenko, department chairman at the Lviv Trade and Economic Institute, by Volodymyr Oliynyk; place and date not given: "With a Normal Government Ukraine Can Very Soon Become One of the Ten Most Developed Countries in the World"—first paragraph is editor's subhead identifying source of quoted statement]

[Text] —believes Volodymyr Pylypchuk, chairman of the Parliamentary Commission on Economic Reform, who recently returned from the U.S., where he led a delegation of 29 Ukrainian economists belonging to the so-called shadow cabinet. *Apropos of this, a conversation with Volodymyr Pylypchuk and Pavlo Minenko, department chairman at the Lviv Trade and Economic Institute, who was a member of the delegation.*

[Oliynyk] What was the purpose of the Ukrainian delegation's visit to Colorado?

[Pylypchuk] Our first objective was to study the management system at the level of an American state and to learn what powers and rights the states have as compared to our oblasts. Which questions are decided at the government level. On which matters cooperation is necessary. In other words, the issue that has always been and still is the subject of dispute here in Ukraine—namely, the "division of powers."

Our second objective was to complete drafting a program for ending the crisis in Ukraine, a program of economic reforms. In addition, we had a third objective—to eliminate any theoretical differences among the members of our team. It was our goal that when our team returned, we would not only have a program of extraordinary measures for ending the crisis, a program of market reforms, but also that all the members of our team would be of the same opinion and agree on a single

approach to solving all issues. That this shadow cabinet, as it has been called, should virtually become a single organism.

What is the situation in Yu. Zvyahilskyy's government? Ask one minister how to solve a problem and you get one answer. Ask a second minister, and you hear the opposite. Ask a third, and you get something else again. In other words, there is no one concept in the cabinet regarding what to do, how to do it, and what steps to take to conduct reforms? This is what we wanted to avoid.

[Oliynyk] Was it necessary to go to America to achieve this? And why there? Was it because you received an invitation from the U.S.?

[Pylypchuk] No. Our team, made up of the same people, also has the opportunity to visit Germany and Greece, but the American invitation was the first to arrive. Also, all the arrangements for meetings and instructors had already been made in the United States. Do not forget that we are on the threshold of elections, and many members of our team are running for the office of people's deputy. Thus, the U.S. visit was our optimum option. Moreover, the United States is a traditionally capitalist country with a better defined classical variant of capitalism.

[Oliynyk] Mr. Minenko, as a member of Pylypchuk's team, what did you learn from this trip?

[Minenko] The two weeks we spent in Colorado were hard work, because the esteemed Mr. Pylypchuk never "got off our backs," as they say. We worked 16 hours a day. If my ideas differed somewhat, they managed to persuade me to subscribe fully to the program for ending the crisis.

[Oliynyk] What kind of work did you do in the United States?

[Pylypchuk] First, we listened to lectures and attended seminars conducted by lecturers and representatives of various state ministries and departments. In addition, every day after supper, we held our own four-hour seminars, at which we polished our program.

[Oliynyk] In other words, you have your own program for ending the crisis. And if you head the future cabinet, you will not vacillate. Incidentally, why does the government of Ukraine ... make such poorly thought out moves?

[Pylypchuk] They are not a team. The government is not equipped with reformist skills. Each minister is a very good economist at the enterprise level, at the microeconomic level. I studied the biographies of these people—they were all wonderful directors. But the economy of an enterprise consists of production deliveries, sales, production costs, profitability, prices, wages, etc. And they apply this kind of economy at the state level, which is a fundamental mistake. Because at the state level, the economy is managed with interest, deposit, credit, currency, exchange rate, customs, and budget policies. A

policy of subventions, preferences, regulation of liquidity, a reserve policy. These are completely different levers, a different sphere of action, entailing a different understanding of economics.

[Oliynyk] While you were visiting the United States, strange things were happening in Ukraine. The Cabinet of Ministers consulted with the Union of Entrepreneurs, which is now headed by former Prime Minister Kuchma. It brought to mind an analogy: if one views the Cabinet of Ministers as a club of grand masters, what is its level of expertise if it invites as its consultants novice directors, including a wash-out grand master like Kuchma? What is most objectionable about this is that it is presented as an attempt to begin structural reform...

[Pylypchuk] The problem is that Yu. Zvyahilskyy's government has no strategy. Every politician knows that you begin by constructing the backbone (strategy) of a policy in order to know where you are heading. Then you work out your tactics, the steps you need to take and the order in which you have to take them. You do all this without explaining anything to the directors. Only in extraordinary circumstances, when superincomprehensible situations arise, does the prime minister, the deputy prime minister, or a minister come forth with an explanation. This is when it is necessary to address the people and say something like: "For the next three months, I will be performing surgery on the economy to make it sound again. I therefore ask you to tighten your belts and not complain." The people will then understand what is going on. Right?! Whereas, if the government continually misleads the people and does not itself see the light at the end of the tunnel, then whatever it does, whether it consults with novices or explains to elders—it is all to no purpose. Clearly, these are death throes. It is pity that the economy has been allowed to deteriorate to this state. At the same time, this is a characteristic feature of the political situation in Ukraine. We know that the communist majority in parliament gave the government its best people—I say this without irony—people it had groomed to govern. But this merely serves as additional proof of what communists are good for.

[Oliynyk] How was your delegation received in the United States? As representatives of a poor, third-rate state, or as partners who are simply experiencing problems at this time?

[Minenko] We were received at a very high level. We had meetings and discussions at the level of the U.S. Ministry of Finance [Department of Treasury], the World Bank, and the International Monetary Fund. It was clear to us that we were treated as representatives of a state; moreover, we were constantly asked if Mr. Pylypchuk had really brought a team of economists with him? At the beginning, when we worked in Colorado, we spent only the first few days listening attentively to our professors. After a few days, we had to say to them: "Thank you, but we already know this." Later, the vice president of this economic institute acknowledged that the Americans who had met earlier with similar teams of economists

from Armenia and Russia were impressed by the high professional level of our economists, because the level of instruction that we found uninteresting had been quite satisfactory to them.

Many government institutions in the United States have created departments that deal only with Ukraine. But apart from the people who work directly with Ukraine, very few people in America know anything about our country. A notion that is still popular there, and this was confirmed even by diplomats, is that Americans approach Ukraine as a piece of the former empire. In other words, this is country located somewhere over there, in Central Europe, it has a population of 52 million people and nuclear missiles aimed at the U.S., and it refuses to disarm. This perception of Ukraine is automatically passed on to most officials. We also learned that these perceptions of Ukraine are actively promoted by the representatives of our "older brother," of whom there are a total of 500 in the Russian embassy. They have time to attend all the receptions and events. This makes it difficult to counter [such perceptions].

[Oliynyk] You have brought us to the second part of this question—the political implication of the visit of the shadow cabinet to the United States.

[Pylypchuk] A change is taking place in the perception of Ukraine, of Ukrainians, their leaders, and their specialists. The same "older brother" is spreading disinformation that Ukraine allegedly lacks experts. This gave us all the more satisfaction to surprise the Americans, who saw after meeting with us that Ukraine does have experts, and high-class ones at that. And that there exists a program for ending the crisis. To which there are no objections on the part of the International Monetary Fund, or the U.S. Ministry of Finance, or the World Bank, or the U.S. Federal Reserve System. And so the Americans wonder: why then are no reforms being effected in your country? We have the necessary people and a program they support, which their own experts would sign on to.

[Oliynyk] I would also like to ask this question. How did you explain this to them?

[Pylypchuk] You are not the first to ask me to explain. I told them that there are many reformers in Ukraine but that they are not part of the ruling Olympus. The opposition can propose many things, but it is not able to implement its proposals. Because it has no power. I believe that a radical change occurred in American perceptions, and they came to understand that Ukraine has the necessary forces, people, intellect, and professional qualifications. There are also worked-out programs, which are not in an embryonic stage, but which outline specifically what needs to be done and how. This is another political aspect of our visit. I would rather not go on about the future government. All this will be possible if a parliament of reformers comes to power and our collective wisdom is put to use. If this does not happen, then all of us who made this trip will at least

have improved our professional skills. If the procommunist parliament returns to power, our program, like all earlier programs, will lie around gathering dust.

[Minenko] I would like to note another aspect as well. I have in mind the large reserves of which Ukraine makes little use. Although our embassy is small, we have a powerful diaspora of Ukrainian descent—people like Mr. Yurko Chopivskyy and Mr. Bohdan Futey and dozens of others, who helped us without any gain for themselves and literally gave us a shoulder to lean on to enable us to do more for Ukraine. They are very anxious to see Ukraine draw closer to America.

[Oliynyk] Your team spent a week in Washington. How did things go there?

[Pylypchuk] In Washington, we changed our method of working. All our experts worked in groups according to their specialization. I had my own program, which was closely linked with obtaining technical assistance for Ukraine. We agreed on 70 million dollars in technical assistance to help speed up privatization in Ukraine and 20 million dollars to enable us to create a unified computer network in Ukraine that would make corruption in privatization impossible. Our delegation met with the U.S. Vice-President Gore's representatives, Mr. Marshall, and his advisors.

[Oliynyk] Do you think that the present government will try to take advantage of the results of your trip, that is, your program?

[Pylypchuk] We are prepared to help the government if it is interested. We are not planning to keep our program locked away in a drawer. Except the plan for introducing a Ukrainian currency—we will never give Zvyahilskyy's government our methodology for this. Not until we ourselves take over... Because they will ruin the method for introducing the hryvnya as they did the introduction of the coupon, and once again blame me for everything. Like they did when they claimed that I had promised that a kilogram of lemons would cost one coupon. I burned my fingers on that one. They did not use my method for introducing the coupon and then accused me of every sin in the book. Nevertheless, we are prepared to advise even this government. Because our objective is greater: to lead the economy out of its present crisis, and that is why it does not matter to us who accomplishes this—this government or the next.

[Oliynyk] What will happen in the economy until the elections are held? What do you predict?

[Pylypchuk] I have no wish to alarm people by painting everything in black tones, but the economy will continue to function at a primitive level.

[Oliynyk] Could you tell us the professional composition of the group that accompanied you to the United States and which is made up of people you count on. For ethical reasons it would be inopportune to give us their names,



even though it is generally known that the group included Professor Chernyak and others.

[Pylypchuk] If we were to speak of the cabinet in broader terms—I have in mind the provisional future cabinet—this team is much larger: it consists of more than 200 people. There is a humanitarian bloc, a power bloc, and an economic bloc, which, incidentally, is made up of 60 people, only half of whom visited the U.S. This group includes people who are working for the present Cabinet of Ministers, people who are involved in reforms, as well as people from the executive branch. I think that should suffice.

This was my sixth visit to the United States, and each time during my first days there I have been overcome by despair... There are poor people in America; they make up 15 percent of the population. This time I came back with a video cassette portraying a "poor" American. What kind of living standard does this poor person have? This "pauper" has a three-storied house with eight rooms, albeit narrow in width. No one has such a cottage in Ukraine. I do not have one, nor do any of the moneybags who are today scaling the Olympus of power in our country. Let alone the furniture in these buildings—our underground millionaires would be lucky to have such furniture here. But by American standards, this is poverty. Our society's living standard has yet to reach the level at which it could be regarded as impoverished by American standards. At the same time, I would like to say something else: at present, Ukraine is a diamond that has not yet been polished and is lying in the dust so that many think it to be plain glass. All that this Ukrainian diamond needs is to be polished a tiny bit and put into a dependable setting, and it will sparkle with many brilliant colors. To those who have already buried Ukraine, I would like to say: do not be in such a hurry. Ukraine is capable of very quickly becoming one of the top ten most developed countries in the world, including in terms of its living standard. Ukraine is poor because this parliament and this government are in power. This is her problem, but it is not her fault. That is why we now face the supertask of electing a normal parliament, which will form a normal government and a normal bank that will enable us to rise to the level warranted by our potential capabilities.

#### **Official Explains New Taxation Policy**

944K0873A Kiev PRAVDA UKRAINY in Russian  
10 Mar 94 p 2

[Interview with Valentina Barishpolets, specialist in taxpayer services, Administration for the Application of Tax Legislation under Ukraine's Main State Tax Inspectorate, by PRAVDA UKRAINY: "Do You Have 'Wheels'? Pay the Tax!"]

[Text] A year has elapsed since the adoption by the Ukrainian Cabinet of Ministers of the Decree "On Tax Rates for Owners of Transport Means and Other Motor Vehicles and Machines." However, quite a few questions

are still coming into our offices on this matter—from motor-vehicle owners and buffs, as well as from the leading officials at enterprises.

In this connection, the editors turned for the necessary explanations to the Administration for the Application of Tax Legislation under Ukraine's Main State Tax Inspectorate. Our interviewee was Valentina Barishpolets.

[PRAVDA UKRAINY] Have there been any changes in taxation since the adoption of the above-mentioned Decree?

[Barishpolets] Yes. In particular, the Law "On the Ukrainian State Budget for 1994" increased taxes levied on those juridical persons who are owners of foreign-made transport means obtained for SKV [freely convertible currency]. As of now, this tax amounts to 2.4 times the minimum wage per horsepower. Other amounts of the tax rates have remained unchanged.

[PRAVDA UKRAINY] Could you please tell us in greater detail about the procedure for paying this tax.

[Barishpolets] Enterprises pay it annually during the first six months of the year. Citizens, however, can pay this tax once every two years, but not later than during the first six months of the year in which the technical inspection is conducted. For example, if a person has to have a technical inspection carried out in 1994, he must present a tax receipt for the years 1993 and 1994 to the GAI [State Motor-Vehicle Inspectorate] organs. A Person who did not pay this tax last year shall pay a tax for two years (1993 and 1994); moreover, the amount of this tax is determined on the basis of the minimum wage in force at the moment the tax is paid.

[PRAVDA UKRAINY] And how is the tax computed?

[Barishpolets] Computations are carried out directly by enterprises and organizations, based on accounting data concerning the number of transport means owned as of 1 January of the current year. No recomputation of the tax amount is to be carried out in connection with the retirement or acquisition of transport means during the course of the year in question.

Citizens who have acquired transport means during the second six months of a particular year shall pay half the amount for that year.

[PRAVDA UKRAINY] Let's say, for example, that a motor vehicle is not used for certain reasons (its owner is on a lengthy business trip, there is a prolonged breakdown, etc.). What happens then with regard to the tax?

[Barishpolets] If transport means are not used, the tax is—nevertheless—still levied on their owners, based on general principles.

[PRAVDA UKRAINY] To whom are tax privileges granted?



[Barishpolets] The following categories are exempt from paying this tax:

- general-purpose automotive transport enterprises, but only for transport means which are engaged in hauling passengers;
- institutions and organizations which are on the state budget;
- Heroes of the Soviet Union, persons who have been awarded the Order of Glory of Three Classes, disabled persons from the Great Patriotic War, and other persons who also have such privileges in connection with existing legislation;
- disabled persons having motor-scooters or motor vehicles with manual controls;
- citizens relegated to Categories 1 and 2 of those persons who have suffered as a consequence of the accident at the Chernobyl AES [Nuclear Power Station], as well as citizens relegated to Categories 3 and 4—prior to their being moved from the zone of guaranteed voluntary resettlement and the zones of intensified radiation ecological monitoring controls;
- citizens resettled from radiation-contaminated zones of territories as a consequence of the catastrophe at the Chernobyl AES to other population centers over the course of three years after resettlement.

Enterprises, associations and organizations, kolkhozes and sovkhozes situated in zones of guaranteed, voluntary resettlement and zones of intensified radiation ecological monitoring controls are exempt from taxation except for payments and contributions to local budgets.

And one last point in this regard. Kolkhozes and sovkhozes are exempt from taxation on fire engines, first-aid vehicles, ambulances, and buses used to carry persons. But if the kolkhozes and sovkhozes have been converted into joint-stock companies, enterprises, and the like, they are obligated to pay this tax, based on general principles.

[PRAVDA UKRAINY] Naturally, there are certain fines to be imposed on persons who fail to pay this kind of tax, are there not?

[Barishpolets] Of course. If an enterprise has concealed an item subject to taxation or has reduced the sum-total of the tax, it must pay into the budget the entire sum of that tax, plus a penalty fine amounting to twice the amount of the aforesaid sum.

For failing to submit an account of taxable items or executing such an account with violations, as well as for submitting in an insufficient or untimely manner computations or other documents to the tax organs, an enterprise shall pay into the budget an additional 50 percent of the necessary tax sums.

Service personnel guilty of these and other violations shall be held administratively liable. For paying a tax late, a fine shall be exacted amounting to 0.2 percent of the sum for each day it is overdue.

## BELARUS

### Hryb Outlines Views on Legislative Issues

944K0895A Moscow ARGUMENTY I FAKTY  
in Russian No 11, Mar 94 p 6

[Interview with Mecheslav Hryb, chairman of the Supreme Soviet of Belarus, by Lyudmila Novikova, deputy editor in chief of ARGUMENTY I FAKTY; place and date not given: "A New Face in Politics: M. Hryb: 'Russia Needs Belarus, Just as Belarus Needs Russia'"]

[Text] Not long ago Mecheslav Hryb, recently a lieutenant general of militia, was elected the new head of parliament in Belarus. He is interviewed by Lyudmila Novikova, deputy editor in chief of ARGUMENTY I FAKTY.

[Novikova] Mecheslav Ivanovich, was it a surprise to you when you were elected chairman of the Supreme Soviet.

[Hryb] I did not want this.

[Novikova] Why?

[Hryb] Because I know the situation in the economy, politics, etc. Here one has to accept not congratulations but condolences. I simply fulfilled the will of the president, who committed me not to remove my candidacy.

[Novikova] How do you assess the present political and economic situation in the republic?

[Hryb] It is very complicated. In a political sense, because the fight for power became acute before the presidential elections. Between parties, between groups, and even between individual personalities. Only a cohesive, united, and governable republic can come out of the crisis. It is not governable today. Therefore, I am setting the task of organizing governability as a priority. The economic situation in Belarus is also extremely complicated. The volume of production is falling, and individual enterprises are shutting down because they do not have the money to buy energy resources and raw materials to organize production. This is on the one hand. On the other hand, more than 30 percent of enterprises are coming to a stop because they do not have products for sale. After all, the CIS countries are our sales market, first and foremost, Russia.

[Novikova] Western products are cheaper and of a higher quality, and this is what is bought. The market is the market.

[Hryb] The problem is that today Russia demands \$74 from us for 1,000 cubic meters of gas. But it sells it for \$17 to its own consumers. All of this goes into the cost of the commodity. Plus customs duties of up to 30 percent. And when our product reaches the Russian market, even if it is of a better quality, it is not competitive in price.

[Novikova] What are you doing about this?

[Hryb] As chairman of the Supreme Soviet, in accordance with the old constitution, I am the highest official, but I actually do not have any rights. Everything has to be coordinated by the Supreme Soviet, and it does the ratifying.

But the main thing is that we are trying as fast as possible to conclude an economic union with Russia.

[Novikova] That is, join the ruble zone once again?

[Hryb] Let us analyze the nuances. An economic union with Russia is the first step, joining the ruble zone is the second step. By joining the ruble zone we would be able to buy energy resources at the same price as Russia. The most reasonable variant would be to buy at world prices. I am confident that Russia will not be able to keep prices lower than world prices on its own domestic market also. We need these prices today. We are suffocating without them. Then, the removal of customs barriers is also advantageous for Russia. I think that there are opponents to this agreement in both Russia and our country. But Russia is interested in Belarus to no less a degree. We also have our advantages. In the final analysis, we are a corridor for communications with Europe. For gas and oil pipelines. For air defense, which we are conducting for the Russian Federation. There are also other military installations that are located on our territory in which Russia is interested. If everything is calculated sensibly and soberly, both sides have interests. And, secondly, this can be an excellent example for other states.

[Novikova] That is, you are again for the Union?

[Hryb] I am for an economic union. We have disrupted all facets of cooperation, and we should somehow unite them through the economy. Then the people will decide.

[Novikova] You will agree that there can be no economic union without a political one.

[Hryb] Why not? Why is Europe living in an economic union? Take the three Slavic states: Russia, Ukraine, and Belarus. We have everything, and if we unite economically, we are practically independent.

[Novikova] But the republics have fought so long and persistently for independence.

[Hryb] Everything must have its time and place. No one is encroaching on our sovereignty. The Supreme Soviet is inclined to very active cooperation with Russia. And the population as well. But there are also other interpretations. For example, the statements of the leader of the People's Front, Poznyak, about Russian terrorism in Soviet Belarus and about new borders. But we do not accept him. The position of war and confrontation is not our position. All kinds of things happened in history.

[Novikova] Mecheslav Ivanovich, you are a lawyer. How do you assess the last action of our Duma concerning amnesty?

[Hryb] That is its business. It was able to adopt this law.

[Novikova] Would you adopt such a law?

[Hryb] Fortunately, we do not have such hostages, and there are practically no political prisoners to this day. We tried to find an accord, and we succeeded in hearing out the other side.

[Novikova] But you also recently had crowded rallies...

[Hryb] Two thousand people from the million and a half population of Minsk came out during the agitation and propaganda that was conducted for months on Independence Square. It was a total failure. People are sick of it. And issues should not be resolved at rallies.

[Novikova] Have you met with Yeltsin?

[Hryb] I have not met him in the position of chairman of the Supreme Soviet. I only received congratulations from him, and I thanked him. We had a very good conversation.

[Novikova] Do you have normal relations with Kebich?

[Hryb] They are normal. I do not know what kind of relations he had with Shushkevich. Today, Shushkevich comes out on the rostrum and says that he bears no grudges. But tomorrow they appear once again. That is, they appeared overnight. Then there are none again. Kebich and I have the same position with respect to orientation toward the East and development of relations with the West. He is engaged in his work, and I, in mine. We regard each other respectfully. We exchange telephone calls, if it is necessary.

[Novikova] Mecheslav Ivanovich, nonetheless, what is your main objective now; after all, no matter what happens, you are the head of state. What are you working on?

[Hryb] We are now working on adoption of the Constitution of the Republic of Belarus. To date 152 articles have been passed by an absolute majority. It remains to adopt the constitution in its entirety and a law on the process for putting it into effect. Then we can begin elections of the first president.

[Novikova] Do you think this will help us get out of the crisis? There is a president in many republics.

[Hryb] This is not the problem. When it comes to a president, it is possible to identify negative cases, and it is also possible to find positive cases. I think, nonetheless, that there are more positive cases in the world than negative ones. But a bad or good president will depend on whom the people elect.

[Novikova] Will you file your candidacy for president?

[Hryb] I do not have time for this now.

[Novikova] Whom do you see as president of Belarus?

[Hryb] It is better that I not name anyone, there are too many candidates.

[Novikova] What do you think, is the appearance of a second Kirsan Ilyumzhinov among us possible? Of the same age, the same ambitions, and the same social position.

[Hryb] Everything is possible in life. There are also rich people in Belarus.

### Bank Chairman Views Monetary Union Talks

944K0890A Moscow NEZAVISIMAYA GAZETA  
in Russian 12 Mar 94 p 3

[Article by Vitaliy Tsygankov: "Things Would Be Harder; Things Would Be Worse": The Chairman of the Belarusian National Bank on Possible Unification of Belarus's and Russia's Monetary Systems"]

[Text] At a press conference held in Minsk Stanislav Bogdankevich, Belarus's chief banker, talked disapprovingly about those "heightened expectations" which exist in the society with regard to the absorption of the Belarusian currency. "It's simply amazing how tenaciously vital such expectations are," Bogdankevich declared, and then he uttered the sentence quoted in the headline above. Bogdankevich based his pessimism, first and foremost, on the circumstance that it is specifically the devaluation of the national currency which is helping to keep exporters afloat. "But instead of seeing these problems, society is maintaining and even encouraging certain illusions," he emphasized.

In speaking about the Russian-Belarusian talks, Bogdankevich said that the Russian side was constantly departing from positions which had been worked out quite some time ago. In contrast to previously signed agreements, Russia now considers it necessary to retain clearing operations. At the present time, moreover, the Russian experts (and these include deputy ministers and even ministers) are already proposing to eliminate the National Bank of Belarus and to open a branch of the Central Bank of Russia in Minsk. The Russians have also begun to renounce unified prices on energy resources (Prime Minister Kebich has steadfastly emphasized that this is the most important thing in the process of monetary unification); and they are proposing to introduce agreed-to or contract prices. To a question from NEZAVISIMAYA GAZETA as to whether it would be possible—at least theoretically—for Belarus to agree to such conditions Bogdankevich replied: "No! We in Belarus are not suicidal. Neither Kebich nor Bogdankevich will ever sign such documents. At the same time, however, the National Bank chairman did reaffirm that he supported the signing of an agreement based on previously stipulated conditions. "We were prepared to sign it even yesterday," Bogdankevich declared.

Bogdankevich commented quite sharply on the frequent trips taken by Prime Minister Kebich to visit his colleague Chernomyrdin and their private-type, one-on-one meetings. "I don't understand these meetings, nor do I see their results," he said. Furthermore, the chairman harshly criticized Belarus's domestic economic policy, particularly the issuance of more than one and a half trillion to the agrarian sector. This money was distributed among the kolkhozes and sovkhozes in proportion to their amounts of arable lands, regardless of profitability and productivity. "This is not only not the path to a market-type economy. Such things were not done even under socialism," Bogdankevich declared indignantly. He reported that just during the first two months of this year the money supply in this republic doubled. In Bogdankevich's opinion, the inflation rate in March will exceed 50 percent; he also predicted a sharp rise in the rate of exchange for the dollar.

The National Bank chairman reaffirmed his adherence to market-type relations, but he stated the following with regard to development in Belarus: "We are not at the beginning of the path, but rather at the beginning of its beginning." In point of fact, as of right now, there is not a single state economic entity which has declared bankruptcy, whereas at certain enterprises turning out products "for the warehouse" the employees are earning from 500,000 to 600,000 (as compared to the average wage of 200,000 in Belarus). Bogdankevich termed the situation in the matter of accounting "communism." It is a situation whereby as much as you like can be taken and used without any intention at all of paying it back.

Bogdankevich's words demonstrate once again that nowadays within the Belarusian leadership he has remained, in fact, the only firm advocate of market-type relations and independence for this republic. Therefore, regardless of Bogdankevich's statements to the effect that he does not take a confrontational stance in relation to the government, many observers and journalists have a feeling of concern for his further career.

#### **Presidential Candidate Lukashenko Profiled**

944K0903A Moscow MOSCOW NEWS in English  
No 10, 11-17 Mar 94 p 4

[Article by Larisa Sayenko: "The World: To Each Republic Its Own Zhirinovsky"; first paragraph is introductory paragraph]

[Text] Alexander Lukashenko is one of the three real candidates to the presidency in the Republic of Belarus.

His star rose on the political firmament all of a sudden. Having received a right to form a provisional commission in charge of studying the activities of the commercial structures attached to the power structures, the 39-year-old state farm director essentially created a political scandal. It led to the resignation of Stanislav Shushkevich, Chairman of the Supreme Soviet. The "trunks" of compromising material he collected on top

officials in the government and local Soviets earned him the nationwide recognition as a daredevil fighter against the mafia.

Probably both Stanislav Shushkevich and Vyacheslav Kebich wanted to use deputy Lukashenko, unaware of the rules of the game at the top. The "narrow-minded" Lukashenko played his part brilliantly, having eliminated Shushkevich and frightened Kebich. Having won the hearts of thousands of electors, Lukashenko made those "higher-ups" discard their previous skepticism and recognize in him a real and dangerous rival.

"But can you imagine someone changing at once from the position of state farm director to that of the president?" complained in the corridor one of the aides to the prime minister. "After all, I spoke to him, persuaded him, offered him a fairly prestigious position. But no, he wants to be the president. It's absurd."

From the standpoint of the nomenklatura's hierarchy this is truly unrealistic. A small economic manager from the Shklov District in the Mogilev Region is trying to oppose the prime minister, seen by the apparat as the only worthy candidate to the presidency. Nevertheless Lukashenko has experience in competing with Vyacheslav Kebich, both of them once passed to the second round of elections to the Supreme Soviet. Despite the fact that Kebich had for many years headed the State Economic Planning Committee and had the backing of a powerful party-bureaucratic machine, the absolutely unknown politician "from the plough" ceded a mere 1 percent of the votes.

Lukashenko came to the Supreme Soviet as a reformer. He always had a dislike for the party nomenklatura and had frictions with the district authorities, earning the reputation of being "excessively independent." However, he kept the Gorodok state farm afloat, which evidently has given him confidence that he will also be able to run the state. In the framework of his state farm enough room was found for both private peasant farms and cooperatives. Although from time to time some in parliament love to recall how the state farm director used to maintain order—with his fists.

At that time he was active in building the Communists for Democracy faction in opposition to the ruling party nomenklatura. Today Lukashenko dissociates himself from any party or faction whatsoever. He preaches the renunciation of "political mongering", calculatingly targeting the apolitical and most dispossessed sections of the population—the rural provinces.

Alexander Lukashenko speaks on behalf of ordinary, down-trodden and dispossessed people. He is the leader of repulsion and destruction, capable of electrifying the mob.

There is hardly a question in the Supreme Soviet on which deputy Lukashenko has not voiced his opinion. As his opponent aptly remarked in parliament, Lukashenko has proved his mettle as an expert on all problems



without exception, "from abortion to missiles." Taking a superactive part in debates, Lukashenko has not been noticed for any "passion" for lawmaking. He has neither a political nor an economic program, apart from the nostalgic theory—"back to the USSR." Lukashenko used to be the most furious opponent of privatization and private property. He is convinced that "state ownership has not exhausted itself today. In the past it created a sufficiently high level for people's life which we have destroyed by throwing these people into a pit."

Long before the scandalous struggle against corruption and on the eve of the October events in Moscow, at a joint Russian-Byelorussian meeting of the Officers' Union, one of the Byelorussian colonels sadly stated: "Of course, we have no Rutskois and Terekhovs of our own..." "But we have Lukashenko," a voice was heard from the hall. "Lukashenko, Lukashenko," rolled approvingly over the rows.

He is even more successful at meetings with electors in the provinces. He doesn't philosophize, but repeats whatever is being said in overcrowded buses and rural shops where people stand in queues waiting for cheap bread.

He plays his own game. Having systematized and classified hundreds of facts, mostly gathered from the materials of the KGB, the Ministry of Interior, the Procurator's Office and the Control Board, Alexander Lukashenko earned a personal political capital already by the fact that he grew indignant together with the people. He has already promised that in the immediate future he will present yet another group of corrupted persons to the people. The government's inaction in this situation has fuelled Lukashenko's activities. The struggle for moral integrity seems to be growing over into a mania. With touching sincerity Alexander Lukashenko announced, speaking live on TV, that there were but a few honest persons in the deputy corps.

Already lining up behind the lone Lukashenko's powerful shoulders in parliament are grey cardinals—young talented pragmatist who have no chances of battling their way through the tightly closed ranks of those presently in power. Moreover, they believe that it is certainly they, not the "uncouth president," that will rule.

But Alexander Lukashenko is already declaring: "It is time at last to give them (the minority, the opposition—L.S.) to understand who is the boss here." Apparatus politicians shrug their shoulders. It's absurd if "this" boss comes to power.

But don't we have the most fertile ground for absurdity? Or is whatever is permitted for Russia forbidden for Belarus?

**MN File:** Alexander Lukashenko is 45 years old. Upon graduation from the Byelorussian Agricultural Institute he worked as an agronomist at the Shklov District of the Mogilev Region. His wife is the head of a kindergarten. They have two sons. The younger goes to school, and the

older is in his first year at the University, studying at the International Department and hoping to become a diplomat.

The people's hero is an ascete. His favorite meal is potatoes, milk and hard-boiled eggs. His favourite books are "Ivan the Terrible" and "Stepan Razin."

## MOLDOVA

### General Lebed Comments on Dniester Issues

944K0901A Moscow ROSSIYSKAYA GAZETA  
in Russian 16 Mar 94 p 6

[Interview with General Aleksandr Lebed, commander of the Russian 14th Army deployed in the Dniester region, by Lyudmila Feliksova, ROSSIYSKAYA GAZETA correspondent, in Tiraspol; date not given: "General Lebed: New Politicians Are Needed"]

[Text] General Lebed needs no introduction. The commander of the Russian 14th Army, which is deployed in the Dniester region, is well known, including to the readers of ROSSIYSKAYA GAZETA. Coming as a liberator at the height of the Bendera events, he gradually, whether he wanted this or not, became a notable political figure, in any case, on the Moldovan-Dniester region horizon. He is quoted, referred to. He has been the most popular personality in the Moldovan mass media since the time he declared war on the leadership of the Dniester region. Apparently, a state of struggle is necessary to the combat general. But its gradations are assessed differently in both the Dniester region and Moldova. What does the general himself think about the current situation, how does he assess it?

"We will have to begin with the fact that the Dniester region," said the general, "has gotten into numerous political and economic impasses. But against this gloomy background you have the gentry—limousines, villas, drinking sprees; that is, the life of the leaders in power.

"A situation arose in which the regime reeled. Measures were required, and they followed. One of these is the special situation that was introduced by Smirnov's edict as a means of shutting people up.

"Processes are already going on that are not controllable. The situation is heating up and inclining toward social explosion. Everyone is fighting for survival, no one believes in the regime. The situation has to be relieved somehow, and the attention of the people has to be diverted. An image of the enemy helps. A foreign one—Moldova—is not suitable. They do not have time there now for the Dniester region. Moldova does not need war now, and Chisinau is following the situation on the left bank.

"I was picked for the role of internal enemy. Insulting leaflets and accusations that a military coup is being prepared with my assistance have appeared. I started to issue pay to officers with Russian rubles, naturally, and the howl immediately went up: They are ruining the economy.

The question arises as to what kind of economy it is that can be ruined because of a hundred million or so, especially when the money is paid by Russia.

"War fits well in such a situation—it diverts, it writes everything off. Both sides are actively seeking provocations. On the one hand, the Dniester region prohibits the Romanian language and the Latin alphabet; on the other hand, Moldova is trying to get rid of Russian, and it is forcing an attestation. An irreconcilable ideology that is embedded with forceful methods does not lead to anything good. When the situation is electrified, everything can start with a trifle."

[Feliksova] But are things heading toward an armed clash?

[Lebed] Realistically they are not. We are dealing with a process that is artificially edging toward conflict. This and only this resulted in the statement of the military council of the army in which we warn both one side and the other. But I do not intend to react to petty rubbish, only if events assume a serious character. The people do not want to wage war.

[Feliksova] We hope that everyone has enough common sense not to engage in provocations. What is your prediction: What will happen to this region? You will agree that you did a lot to cause the leadership of the Dniester region to be up in arms against the commanding general.

[Lebed] But does the leadership of Moldova like me?

[Feliksova] Of course not. But there are several versions of your line of behavior. The first—you are working for Moldova. Second—you are carrying out the orders of certain political forces in Russia. And third—you are pursuing your own aims. But who in fact is General Lebed?

[Lebed] Aims? What, do I want to become a tsar? It is ridiculous. As a matter of fact, General Lebed falls into the category of people who walk alone. I am guided by common sense and, while this will sound immodest, also with decency in this situation.

[Feliksova] But the situation is such that there is no negotiating process. What is to come?

[Lebed] The Bendera war created a gulf between the two shores. Only one thing can reduce its depth and bring the countries closer together—time. Will they pile up hundreds of corpses, thousands of wounded, leave people impoverished, and then say: Let us be friends, boys, and live in one republic? This will not happen. It is my deepest conviction that there is only one solution—federalization.

Coming closer together will work then, especially because communications have not been disrupted at the level of ordinary people. If it were not for the politicians and cordons, which only strain the situation, things would be easier. The current politicians on both shores have already outlived their political time, they are spent material.

On this shore, they were caught stealing, and on that—President Snegur no longer has a chance to be a peacemaker. He does not satisfy everyone now: the Romanians, the People's Front, or the people. He went in one direction for four years, and suddenly—Stop!—sparks flew from the brakes: Let us go in another direction. But what was he thinking about earlier? They had had enough of fighting, and the state, which was once united, split into three parts.

How is this broken pot to be put back together now? With what glue? There are no guarantees that there will be no recidivists. The current politicians are incapable of constructive steps on the path to rapprochement. The turning point will come when there are new people, intelligent and not burdened by war, who are capable, without hurrying, of meeting others halfway. There are historical precedents for resolutions, it is only necessary for politicians to appear who really want peace and are ready for sensible compromises.

[Feliksova] In your opinion, do the recommendations of the CSCE provide any possibility for normalization of the conflict?

[Lebed] Yes, but the CSCE representatives did their work, wrote, recommended, and left. But who will do the implementing? The mice decided to hang a little bell on the tail of the cat for the purpose of timely notification of its coming. And then the question arose: But who will do the hanging? The situation is like that here. Who will do the talking. I repeat: New people are needed.

#### ...But in the Meantime

Moldovan President M. Snegur is supposed to sign the NATO program "Partnership for Peace" in Brussels today. Great meaning is being given to this fact in the republic, judging by the commentaries of politicians.

I. Botnaru, acting minister of foreign affairs, said that Moldova's joining this program guarantees the security of the republic and makes it possible to begin consultations with the NATO bloc.

M. Snegur, not denying this aim, displayed his usual caution, noting that the signing does not contradict the declaration of independence of the republic, the policy of neutrality and the course it is taking toward it, and the recently conducted sociological poll. This does not at all signify a sharp and decisive reorientation of Moldova to the West. The republic will also further expand, as the president noted, mutually beneficial relations with all countries, including also the former Soviet republics—members of the CIS.

Tiraspol does not share the enthusiasm of Chisinau with respect to the signing of the NATO program. And the louder Chisinau announces a search for security guarantees for Moldova, the more guarded is Tiraspol's reaction and assessment.

## ESTONIA

## Narcotics Situation in Estonia Examined

94WD0268A Tallinn ESTONIYA in Russian  
31 Jan 94 p 5

[Article by Margarita Kornysheva under the rubric "Crime and the Law": "Until the Chicken Has Its Head Cut Off"]

[Text] *Here is some information about the drug trade obtained from confidential sources. First, not only do well-established systems for the delivery and distribution of narcotic substances operate in Estonia, but we also have our own trained experts who are capable of determining the quality of the "merchandise" and pricing it in a highly professional manner. Second, there is a "fixation" on the border, where only "dupes," random people, get caught. Third, there is a quite well developed secrecy system. Fourth, cruel laws apply to the hilt within the drug groups—if someone quits the game, or "spills the beans," he therefore chooses "eternal rest" somewhere in a quarry in Manniku. Fifth, threats against narcotics policemen are increasing, and actions against them are quite real. All of this is happening against the background of the fact that, in the words of the psychiatrist Anti Liiv, "even the revolt in the northeastern area of the country is less of a catastrophe for the Estonian people than drug addiction."*

**'A Strange Small State in Which the Drug Problem Is of No Concern to Anyone'**

Doctor Liiv, who at one time practiced in the United States, maintains that this is precisely how Americans perceive Estonia.

As you will understand, this problem "did not exist" in our country until sometime in 1985, just like prostitution, corruption, and all manner of other "capitalist ills" "did not exist." Finally, they came to their senses and saw that one in four apprehended thieves had something to do with drugs (by now, one in three criminals commits the crime either intoxicated with drugs or in possession of these substances). In short, the phenomenon manifested itself sharply. Moreover, compared, for example, to the year 1988, which is usually the reference point, the phenomenon has grown to a quite respectable size. Data quoted by the newspaper ARIPAEV not so long ago show that according to the most conservative calculations, each of the 8,000 uncovered drug addicts spends 200 kroons weekly for the poison. The annual volume of the local drug trade comes to at least 60 million kroons. How are they to be legalized? We do not have a law that hampers money laundering although, in an effort to get the endeavor off the ground, representatives of the competent organs have visited the West to "collect material" in order to offer our legislators the draft of this particular law. The republic still does not have a state program for combating drug addiction, nor is there a major specialized police unit in the scope of whose

interests drugs would fall. Who benefits by so nicely sweeping under the rug a problem that clearly threatens the very life of our society?

In the opinion of Anti Liiv, and it is hard to disagree with him, the current government benefits. What other explanation is there for the fact that Estonia, a UN member, has failed to join a single international convention forbidding trafficking in narcotic substances? One cannot help wondering, all the more so because the last document of this kind that was accepted by the international community in 1988, *hinders* money laundering, requiring that commercial secrets which are of certain interest be revealed. In view of the absence of a coordinating center for drug control, our country has been unable to submit information about the domestic drug trade to the UN for three years now.

**Narcotic Poison in Estonia Is 10 Times Cheaper Than in Europe**

This is the case on the "black" market. According to information obtained from the security police, a five-gram package of marijuana and one cubic [centimeter] of liquid opium cost 50 kroons, one gram of hashish—no less than 75 kroons, and a cubic [centimeter] of a synthetic drug (too weak for "professionals")—as little as 25 kroons. Cocaine belongs to a class of the most expensive and, apparently, least popular "substances" for this reason. It is not cheap in Europe, either—a five-gram package fetches \$205.

At present, drugs of both vegetable origin (marijuana, hashish, opium milk) and medicinal origin (diazepam) are common in the republic. The former are more common, after all. Depending on the specifics of transportation, their form differs widely. A drug-sniffing dog "smells" drugs of vegetable origin. However, the contrivances of drug dealers may rob it of the scent. Previously, drugs were often transported in car bumpers. The "merchandise" was placed there, and fresh epoxy resin was poured over it. There is no way that a dog would "sniff out" a drug in this hiding place for the next three or four days.

Opium poppies—quite recently, this combination of words was associated solely with Central Asia, and to a lesser degree with Ukraine. However, a few years ago it was learned how to grow this crop in Estonia and Lithuania out of high-grade seeds brought in from Kazakhstan. There are hills with plantations between them. They can only be seen from a helicopter, and are not visible from the road. The owner harvests, say, one-tenth of a hectare, sells the crop, and buys a new house, a horse.... In 1989 an entire syndicate delivering drugs from Lithuania to us was uncovered. Fourteen people ended up in the dock.

**The Realm of Transit**

Poison comes to Estonia from Russia, Lithuania, Central Asia, and the Caucasus. Luckily we cannot afford Western products. New times have resulted in new

opportunities for drug sales. The transit of drugs through the Baltic area, in particular through "us," previously without precedent, at any rate on this scale, has become established.

Given the actually nonexistent border and the "most incorruptible" customs in the world, the organization of deliveries is not too exacting an endeavor. Outside groups have appeared which have ultimately established themselves solidly here. The deep pockets of their members have been helpful in securing residence permits or citizenship for them. And how many nerves do the common residents of Estonia shatter battling for the same?!

According to data from the security police, everyone and his brother plies the drug trade: The drug business in Estonia is controlled by Azeri, Perm, Kemerovo, Novosibirsk, Riga, and Krasnodar groups. For example, the Azeris control the delivery of marijuana and hashish, and people from Krasnodar—that of both marijuana and opium poppy. A case in which the traffic police stopped a new Opel, in whose trunk 10 kilograms of marijuana were found, at 1915 on 4 January on the Tartu Highway close to the locality of Moega, is characteristic. It was learned later that the drug was being transported from the Viru section of the border and was controlled by an Azeri "company." Most likely they were driving to an out-of-the-way location in Harju Rayon. Practitioners are aware of these cases. The interested person locates a hamlet with a granny as old as the hills: "Here are 100 'greenbacks' for you, go buy yourself a goat. In return, put my suitcase away somewhere, and let it sit there until needed." The old woman does not care: "Son, toss it in the hayloft. I am not pressed for space."

All "outsiders" have connections to local "brigades," more often than not Russian-speaking, which deliver, for example, opium poppies from the areas of the Chu Valley and Issyk-Kul in Kyrgyzstan. The pattern is as follows: the south—Estonia—our countrymen pick it up, pay for it, and transport it to Scandinavia through their own channels. Over there, dealers get the "merchandise" and dispose of it "on the spot" (the lion's share of narcotic substances remains in the region) or ship it on to Europe.

According to information from the Department of Police of the Republic of Estonia, last year more than 100 kilograms of various drugs were confiscated in the territory of the republic. Specialists believe that this was quite a lot, but they state sadly right away: Certainly, more than that went abroad.

### The Black Triangle

This consists of the suppliers, distributors, and consumers of poison. As a rule, those who put drugs in circulation do not "get high" themselves. They are more cunning and slippery than the usual common criminals.

An alarming situation has developed in Tallinn. Police functionaries are aware of about 30 apartments in which the manufacturing of drug preparations is organized on a large scale. According to data of the law enforcement

organs, gatherings of those fond of smoking or shooting up form virtually on every street! Drug addicts are becoming a class. Incidentally, there are people among them who are quite high on the social ladder. Terrifying reports have been received from some schools in the capital city—some students of senior grades (but not only them!) become links in the chain of the distributors of narcotic substances, almost inevitably getting their first taste of the latter.

People in the know maintain that so-called "pure" drug addicts do not exist in nature. This means that people who have become addicted to drugs are prepared to do anything ahead of time, driven by the fear of "withdrawal throes" alone. Let us say that such a person picks up three or four kilograms of "merchandise," keeps one-third, and sells two-thirds. Chasing clientele, he would be happy to get anyone and everyone "hooked." Be that as it may, this is an income, although there is a risk of incurring criminal liability. Of course, they steal, too, but the funds procured in this manner are not major.

Specialists predict it will not be long before high-capacity underground plants for manufacturing drug preparations go on line in Estonia. One does not have to be a specialist to duly appreciate the exceptionally favorable conditions that bring this "bright future" closer. There is nothing standing in the way of the time of prosperity coming to the soil of Estonia for a business which unfortunately has ranked second after the arms trade throughout the world.

### Drugs Are Cheap in Estonia

	Price per gram in kroons	
	in Estonia	in Finland
Pure heroin	300	3,400
Cocaine	550	550
Marijuana	10	70
Hashish	75	950
LSD	1,000	2,000
Amphetamines (vial)	25	160

Source: the newspaper ARIPAEV.

### Accuracy of 1993 Industrial Statistics Questioned

944K0841B Tallinn *ESTONIYA* in Russian

31 Jan 94 p 4

[Article by Leidur Rannamets: "Is the Recession in Industry Over?"]

[Text] Prime Minister Mart Laar even reported to the **NEW YORK HERALD TRIBUNE**, an American newspaper, that inflation in our country was supposedly completely under control, and that the rate was only 3.6 percent last year. Later, an attempt was made to blame dishonest American journalists for this almost tenfold error, but it was not that successful. The fact is that we recently began relying too much on self-advertisement, without caring much about the accuracy of our figures.



The latest issue of EESTI STATISTIKA (No 12, 1993) presented information about the development of industry last year. So that there will be doubts about its authenticity, we will cite the exact text: "The data on production volume in industry were collected from all state and municipal enterprises and other enterprises with more than 100 employees and from a sample group of other enterprises. The sample data were then extrapolated to all enterprises." In short, there is still no more definitive and factual information in Estonia than the

data of statisticians. The research of the Bank of Estonia cannot be trusted because it is an interested party.

The publicists of the "Estonian miracle" usually discuss matters in terms of money—how many million kroons' worth of various goods were produced. Is this convenient? Of course it is, in view of the fact that the rate of inflation was over 30 percent last year. Therefore, we will discuss the situation not in terms of kroons, but in terms of the physical output of the main types of Estonian industrial products.

Products	1993	1992	%
Electric power, billions of watt-hours	9.1	11.8	77
Fuel shale, millions of tonnes	14.9	18.8	79
Mineral fertilizers (100-percent active substances), tonnes	13.8	60.0	23
Electric motors, thousands	10.5	66.4	31
Plywood, thousands of cubic meters	6.4	6.5	99
Particle board, thousands of standard cubic meters	26.8	61.1	44
Cement, thousands of tonnes	354.2	482.7	73
Facing materials, millions of standard bricks	101.1	363.4	28
Reinforced concrete structures, thousands of cubic meters	91.4	232.7	39
Mineral wool and items made of it, thousands of cubic meters	5.0	59.4	8
Linen fabric, millions of square meters	1.9	4.9	38
Woolen fabric, millions of square meters	0.8	3.5	22
Nonwoven materials, millions of square meters	3.4	10.7	31
Knitwear, millions of items	3.9	15.8	25
Hosiery, millions of pairs	7.4	10.4	71
Rugs and carpeting, millions of square meters	2.6	2.4	108
Meat (including by-products of the 1st category), thousands of tonnes	46.0	77.4	59
Sausage, thousands of tonnes	32.2	34.1	94
Whole milk dairy products (calculated in milk units), thousands of tonnes	127.7	147.8	94
Butter, thousands of tonnes	22.7	26.2	86
Cheese, thousands of tonnes	7.2	8.6	83
Canned goods, millions of standard cans	86.2	128.3	67
Bread and baked goods, thousands of tonnes	110.9	133.3	83
Confectionery, thousands of tonnes	14.4	14.3	101
Flour, thousands of tonnes	83.6	124.9	67
Noodles, thousands of tonnes	1.5	6.0	24

Incidentally, the decline of production volume can also be measured in terms of money. The industrial product last year amounted to 14.6107 billion kroons after turnover and excise taxes. State and municipal enterprises accounted for 63 percent of the total, or 9.238 billion kroons. Overall production volume was 30 percent below the 1992 figure (in comparable prices), and 1992 is known to have been a year of sharply reduced production volume in industry. According to the data of the Ministry of Economics, general production volume was approximately 60 percent below the 1989 figure. The output of several goods was reduced to a fraction of the

previous figures, and some goods simply ceased to be produced. These include phosphorus fertilizer, sulfuric acid, power cable, pulp, feed proteins, and notebook and writing paper.

There were also the first signs of stabilization in some industries. Output exceeded the 1992 figure in the case of oil drilling equipment, ethyl alcohol, electric coke, fish products, rugs, liqueurs, soft drinks, cigarettes, paints and varnishes, starch, and jewelry. Approximately one-fifth of the 300 largest enterprises managed to adapt to the new economic conditions. Meanwhile, however, output decreased at more than 130 state and municipal

enterprises. Large pulp and paper enterprises went bankrupt. There are still many candidates for bankruptcy. Some are being liquidated and others are being converted or reorganized. The rate of the privatization of large enterprises is clearly unsatisfactory.

In December Estonian industry produced goods worth 1.4802 billion kroons, or 2 percent less than in December 1992 in comparable prices.

### 1993 Foreign Trade Figures Detailed

944K0841A Tallinn ESTONIYA in Russian  
31 Jan 94 p 4

[INTERFAX report: "Estonia Is Doubling Its Exports and Redirecting Its Trade to the West"]

[Text] Estonia, a Baltic republic with a population of 1.5 million, ended the year of 1993 with a negative balance of 1.052 billion kroon—more than 75 million dollars—in foreign trade.

In spite of this, exports were almost double the 1992 figure and amounted to 11.575 billion kroon (the exchange rate of the Estonian kroon at the end of 1993 was 13.56 kroon to the U.S. dollar). Imports, according to the Estonian Department of Statistics, were approximately 1.5 times as high as in 1992 and reached 12.627 billion kroon.

Experts predict that exports and imports of goods in 1994 will amount to approximately 20 billion kroon each, with a minimal positive balance.

According to specialists in the Estonian Ministry of Economics, foreign trade with the CIS countries, which previously exceeded 50 percent of the total, decreased to 25 percent in 1993 when Estonian industry was redirected toward the Western market.

Estonia's main trade partner in 1993 was Finland, which accounted for 24.1 percent of all foreign trade, followed by Russia—21.7 percent, Sweden—9 percent, and Germany—7.7 percent. Finland also took the lead among importers—37.6 percent, followed by Russia—12.2 percent, Germany—9.1 percent, Sweden—8.6 percent, and Switzerland—5.7 percent. Food products were predominant in exports and imports, representing 23 percent and 14.1 percent of the respective totals.

According to the forecasts of specialists from the Economics Institute of the Estonian Academy of Sciences, the production growth that was recorded in Estonian industry starting in March 1993 will continue in 1994. The gross national product in 1993 was equivalent to 20.9 billion kroon, or 6.7 billion kroon above the indicator for the previous year. Experts expect the GNP to reach 30.4 billion in 1994.

Specialists in the Estonian Ministry of Economics believe that industrial production will grow primarily as a result of foreign investments. Whereas the amount invested in industry in 1993 was around 2.5 billion

kroon, the indicator in 1994 will exceed 4 billion (Estonia's foreign debt reached 109 million dollars in 1993). Specialists in the Estonian Ministry of Economics feel that the growth of investments will depend on programs for the revitalization of Western capital investments and laws to stimulate business.

Teet Rajasalo, the leading specialist at the Economics Institute, feels that genuine economic growth can be expected in 1995. In his opinion, the rate of inflation in the country will decline gradually. According to preliminary data, inflation reached 30 percent in 1993, this year it could drop to 25 percent, and in 1995 it could be as low as 15-20 percent.

### Foreign Investments for 1993 Reviewed

944K0866A Tallinn ARIPA EV in Estonian  
2 Feb 94 p 12 (Banking Supplement)

[Article by Tiit Metsa, chief specialist, Bank of Estonia: "Foreign Investments in Estonia"]

[Text]

**How much foreign capital has been invested in Estonia over any given period of time is a question that elicits different replies from different agencies, or different sources of information.**

Figures published in the media on the volume of foreign investments made in Estonia over a certain period of time often show only a part of the actual investments—namely, amounts making up the equity of joint ventures being formed over a certain period. This information is gathered by the business register of ESA [Estonian Bureau of Statistics], where all the new ventures are registered, including both joint ventures and those financed by foreign capital exclusively. This data makes it possible to obtain an overview of new ventures being formed in Estonia over a given time period, including the extent of foreign capital in their equity. What presents a problem here is that many of the ventures are formed either to be resold (the so-called shelf-enterprises), for one transaction only, or for other such reasons, that would necessitate corrections to be made in the amounts obtained from the business register. According to data received from the receivables department at the Bank of Estonia, foreign capital invested as equity in new ventures over the past year only accounted for about 38 percent of the total of foreign investments made in Estonia.

### What Are Foreign and Direct Investments?

According to international methodology, foreign investments consist of direct and portfolio investments. A direct investment is an investment that guarantees voting rights in the management of the venture (enterprise, bank or fund), which enables the investor to influence the performance of the venture. Since these criteria could vary in the case of different ventures, a

direct investment, according to international convention, is one that amounts to at least 10 percent of the assets or equity for a given venture. Hence, direct investment is a form of foreign investment where a resident of one country (direct investor) owns 10 percent or more of the assets or equity of an enterprise domiciled in a different country.

A direct investment involves:

- 1) an initial transaction between partners resulting in a direct investment relationship between them;
- 2) subsequent transactions between their enterprises or their affiliates.

Making up the other form of foreign investments are the portfolio investments representing ownership of less than 10 percent of the assets or equity by a non-resident.

Since portfolio investments are still negligible in Estonia for the time being, we can apply the term 'foreign investments' when speaking of foreign direct investments.

#### Components of Direct Investments

Direct investments, shown under liabilities on the balance sheet currently being prepared by the Bank of Estonia, consist of the following:

- 1) Increasing assets or equity;
  - in joint ventures being created during a certain period due to foreign investments (new investments);
  - in joint ventures already operational due to an influx of foreign capital (supplementary investments);
- 2) Reinvested income, consisting of the foreign investor's portion of undistributed profits of the joint venture, and which are left at the disposal of the enterprise operating in Estonia, enabling the development of the latter;
- 3) long-term loans<sup>1</sup> obtained from foreign investors, after the deduction of payments;
- 4) short-term loans obtained from foreign investments, after the deduction of payments;

#### Sources of Data

The Bank of Estonia gets its data on new investments for the period being viewed from the business register of ESA's main computing center. The difference between data obtained from the business register and data used in calculating the liability total for the state can be attributed to the assumption that at least 20 percent of businesses registered during a certain period have not yet received their foreign funding, and that some of the joint ventures are fictitious (created primarily to be resold), only 80 percent of the total investment figure obtained

from the business register of ESA's main computing center gets applied to the liability balance of the state.

Data on other components of direct investments are obtained by means of a direct survey of businesses conducted quarterly by the receivables department of Bank of Estonia.

#### Volume of Foreign Investments

During the first nine months of 1993, foreign investors placed roughly 1.5 billion kroons in businesses based in Estonia.

Initial funding for new ventures amounted to 561.1 million kroons. This amount also includes proceeds from the sale of state enterprises to non-residents. Since the privatization process is only beginning, foreign funds from the sale of state enterprises have not been significant. Assets of joint ventures already operational have increased by 246.4 million kroons over the nine months of last year, due to the influx of foreign capital. In the third quarter, the influx of foreign capital into joint ventures already operational exceeded, for the first time, the foreign investment total in new ventures. If the influx of funding into joint ventures already operational accounted for 16.2 percent of all the foreign capital coming to Estonia during the first quarter, and 7.8 percent during the second quarter then, by the third quarter, it had risen to 51.7 percent. It seems that the more vigorous of the joint ventures are beginning to gain momentum, and the creation of new ventures will start tapering off gradually.

The dynamics of the next important component of direct investments—reinvested proceeds—showed steady growth, which signifies increased productivity in the performance of joint ventures. During the nine months of 1993, reinvested proceeds amounted to 262.7 million kroons. The difference between the pay-out and pay-back amounts of long-term loans extended by direct investors amounted to 104.3 million kroons, and the difference between the pay-out and pay-back amounts of short-term loans extended by direct investors amounted to 281.4 million kroons.

Current projections show that foreign investments made in Estonia during 1993 total slightly over 2 billion kroons. More accurate data will be available by mid-February.

#### Estonia's Basic Business Partners

Last year, the greatest number of joint ventures was formed with Finnish companies (1,212 for nine months, which includes 502 for the third quarter). Once again, it should be pointed out that many of those businesses are not operational, and may never become operational. Finland was followed by Sweden with 246, Russia with 203, Germany with 88, United States with 31 companies, etc.

Analyzing the volume of initial funding in new ventures by different states showed that Sweden placed first, followed by Finland, United States, Russia and others.

Even though Finland, Sweden, Russia and Germany are our basic business partners for both the number of new ventures and the volume of initial capital invested in them, these states are not among the first 10 for the average volume of funds invested in one business. Based on that indicator Finland, for example, was number 22 among the 41 countries whose companies invested in Estonian businesses. Thus, many relatively small joint ventures are formed with these countries, as our closest neighbors.

A state-by-state analysis of foreign partners contributing to the influx of foreign capital in joint ventures already operational shows steady gains for ventures that are in partnership with Swedish companies. In second place for their volume of additional funding in joint ventures already operational in Estonia are Finnish companies, followed by Italian and Irish companies.

Estonian companies are maintaining intensive investor relationships (basically for loans and commercial credit) with business partners from Netherlands, Switzerland, Great Britain and Denmark.

For the productivity of their performance (based on the volume of reinvested proceeds) one could point to joint ventures formed with Finland, Sweden and the Netherlands.

#### Areas Attracting Foreign Investors

The biggest portion of foreign investments (roughly 45 percent) goes into industry, followed by wholesale and retail trade, leasing of property and business services. Also worth mentioning are direct investments in hotels and restaurants, also in transportation, warehousing and communications.

Looking at the dividend and interest payments to direct investors, one can conclude that a relatively large number of joint ventures either do not have to pay dividends during a certain period (depending on the charter agreement), do not turn a profit yet, or are not out for immediate profit (in the form of dividends), but are there to develop the market or for some other such reason.

Distribution of Foreign Investments Made in Estonia	
Based on data for 9 months of 1993	
Equity	56 percent
Short term loan	19 percent
Reinvested Proceeds	18 percent
Long-term loan	7 percent
Source: Bank of Estonia	

#### Funding Received from Abroad

##### By Investing Countries

##### Based on data for 9 months of 1993

Sweden	50 percent
Finland	21 percent
United States	13 percent
Other Countries	12 percent
Russia	4 percent
Source: Bank of Estonia	

In conclusion, it should be pointed out that even though most of the joint ventures being surveyed submit their data on time, in accordance with questionnaires sent to them by the Bank of Estonia, there are still many shortcomings. Receiving more complete data is vital to the analysis of our country's economic situation, which is the cornerstone of the economic policies to be developed. As feedback, the latter inevitably impacts the operating conditions of all businesses. This is why we want to take this opportunity to ask, once again, that all businesses who receive survey forms from Bank of Estonia's department of receivables for the purpose of calculating the liabilities total, fill them out properly and return them promptly.

#### Footnote:

<sup>1</sup> This does not reflect long-term loans obtained with state guarantees; nor does it reflect long-term loans obtained from foreign banks and non-direct investors (other non-residents).

#### Central Depository for Securities Planned

944K0866B Tallinn ARIPAEV in Estonian  
14 Feb 94 p 3

[Article by Karmo Kaas: "Center for Securities Market Established"]

[Text]

On Friday, eight banks, along with the Ministry of Finance and the central bank, decided to establish AS Eesti Väärtpaberite Keskdepositoorium [The Central Securities Depository Corporation of Estonia], which will administer a data base with complete information on all the securities being traded on the market.

The Securities Depository will maintain a registry of all officially issued securities and any buying and selling transactions involving them. The depository will have data on the prices and quantities of securities, on property put up as collateral for them, and other information regarding securities. The data in the central depository should make securities more trustworthy, and enable putting them up as collateral for loans.

Rein Usin, chairman of the board of Forekspank [Forek Bank], said that plans call for setting up the depository



within two months. The system would be developed by local specialists. A specialized system for the depository could have been purchased but, in addition to the high price (50 million kroons), this could have caused problems with compatibility.

**The Central Securities Depository Corporation of Estonia was formed by:**

Põhja Eesti Pank [The Bank of Northern Estonia] Hansapank [The Hanseatic Bank] Hüvitusfond [The Compensation Fund] Eesti Uhispank [Estonia's Communal Bank] Tallinna Pank [The Bank of Tallinn] Eesti Forekspank [Estonia's Foreks Bank] Eesti Sotsiaalpank [Estonia's Social Bank] Holdings of shares are also noted by: Hoiupank [The Bank of Savings] Rahandusministeerium [Ministry of Finance] Eesti Pank [Bank of Estonia].

**Sale of Shares in State Enterprises To Be Initiated**

944K0866C Tallinn ARIPAEV in Estonian  
14 Feb 94 p 11

[Article by Karmo Kaas: "Sales of Shares in State Enterprises To Start"]

[Text]

**The Privatization Agency is getting ready to privatize 30 state-owned companies through a public offering of shares scheduled for June. Privatization of state property through the sale of shares should accelerate the development of Estonia's securities market which, in turn, would speed up development for the entire economy.**

"Many things still remain unclear about privatizing state property through the sale of shares," admitted Väino Sarnet, executive director of the Privatization Agency. "It has been determined that the sale of shares is necessary, but no detailed plan for the process has been established so far. Also, some of the legislative measures currently in force will have to be changed."

Right now, a listing is being compiled of enterprises whose shares could be sold. An important criterion for an enterprise to be selected is its economic stability, enabling it to continue normal business activity throughout the entire privatization period. He added that privatization through selling shares could make for a longer period of privatization than the sale of enterprises at auctions or through previously arranged international negotiations.

Another criterion for the selection of enterprises is that they be known well enough to the wider public.

Sarnet said that, all these factors considered, the planning now calls for starting privatization through the sale of shares by selling the state's portion of jointly held companies, since their economic condition is sufficiently stable, and they are mostly well known. Besides, jointly

held companies have a strong motivation to be privately owned, as that would be conducive to bringing in new investments.

The extent of shares to be sold in the first round has not been determined, according to Sarnet, but he does not favor selling off big blocks of shares of any given company. For openers, sales should be limited to blocks of about 10 to 20 percent of the total number of shares, in order to establish the market price of shares, and to reduce the impact of better informed investors on the whole process.

**RKO's To Be Traded Freely**

For selling part of the shares in state enterprises for RKO's [national capital debentures], the government will have to resolve, according to Sarnet, whether or not RKO's are going to be traded freely. Last week, the privatization chief made a presentation to the government on this matter, in which he favored turning RKO's into freely traded securities, since that would reduce the state's liability to owners of RKO's, and also bring about their wider use in the whole privatization process.

As state enterprises are being privatized, more and more enterprises are finding new owners, as weaker ones go bankrupt.

"This also means diminishing chances for RKO owners to use these debentures in the privatization of state enterprises, and the responsibility for it will revert to the state," Sarnet said.

Trading RKO's freely means that people can decide for themselves whether to use debentures in the course of privatization, or to sell them. Making that decision also places responsibility for the use of these debentures on their owners.

In the course of privatizing a state enterprise, an option could be given to privatize some portion of the enterprise for RKO's, which the investor would have to buy up. This way, the use of RKO's in privatization would be diffused between all the companies.

Sarnet said that people can use RKO's in the privatization of state enterprises either by participating directly in the privatization process, or through investment funds. "The latter method would prevent the formation of a scattered group of owners, that would make the management of the company more difficult," Sarnet said, "but the state cannot set up any restrictions here, as public opposition to such a move would be too great."

**Shares To Be Entered in Data Base**

The head of the Privatization Agency said that current planning calls for the sale of shares to be handled electronically, through the depository of securities. The first step in that direction will be the opening of electronic privatization accounts for owners of privatization securities.

The depository is a data base containing information on all securities being traded on Estonia's securities market. All the buying and selling of securities on the securities market will be handled through the depository, from which one can also obtain information on the prices and quantities of securities, the assets backing them and other such.

According to Rein Usin, board chairman of Foreksbank [Foreks Bank], the need to sell shares of state enterprises accelerated the formation of the depository, and it will certainly come in handy when selling shares of state enterprises, but its creation would have been inevitable even without that.

"The securities depository is one part of the system known as the securities market. As long as there is no depository, the securities market could not be activated," Usin said.

#### **Credit Market Is Expanding**

According to Usin, the existence of the depository for securities also helps to expand the credit market. Up until now, there has been no private property that could be put up as collateral for a loan but, relying on the information in the depository, securities could be put up as collateral for loans. Sarnet remarked that with the creation of the depository, confidence in the Estonian securities market would go up, because it will keep any counterfeit or uncovered securities from participating in the market.

Usin admitted that the creation of the securities depository has taken a long time, because it is the only part of the securities market that does not make a profit. Finally, the point has been reached, where a large number of banks, along with the central bank and the Ministry of Finance, have decided to join forces and come up with the capital for creating the depository as a separate legal entity.

Commenting on having shares of state enterprises entering Estonia's securities market, the head of Foreksbank said that these will be in the market temporarily, increasing that portion of securities that derive from ownership.

"Along with the development of industry and agriculture, there will be an increase in the market share of commercial paper, which will eventually make up the bulk of securities being traded in the market," Usin said.

#### **Privatizing Enterprises Through Public Offering of Shares**

##### **Plan of Action Up Until August 1, 1994**

**Selection of enterprises for the public offering of shares.** List 1. (roughly 5 enterprises) List 2. (roughly 30 enterprises).

**Preparation of prospectus on the stock issue.**

**Creation of depository for securities.**

**Legislative measures regulating investment funds.**

**Licensing of investment funds.**

**Procedures for the public offering of shares (government decree).**

**Procedures for the issue and notation of shares.**

**Public Relations campaign.**

**Approval of privatization terms for shares.**

**Public offering of List 1. enterprises.**

**Certification of results.**

Source: Privatization Agency

#### **Trade Shift Westward Reflected in Parnu Revival** 94P50107A

[Editorial Report] Helsinki HUFVUDSTADSBLADET in Swedish on 8 March on page 8, in an article by Tomas Hellen, describes efforts of Estonian towns, especially Parnu, to improve their harbors thereby increasing trade with Western countries.

As in Finland and other countries around the Baltic following the breakup of the Soviet bloc, the harbor towns in Estonia are already competing in trying to quickly adapt to new trade patterns. No other component of the former Soviet Union has reoriented its foreign trade structure to the West as thoroughly or rapidly as has Estonia. Today, half of Estonia's exports go to Finland and Sweden, and the earlier completely dominating East bloc trade has almost entirely dried up. Even the energy dependence on Russia has been broken: The country is now at 66 percent self-sufficiency, and the remaining requirement is mainly met by imports from the West.

Under the Soviet Union, the harbors of Estonia served entirely the needs of the empire, and in Soviet fashion the effort was on centralization and creation of large units. The symbol for this is Tallinn's outer harbor, Muuga, which was built by Finnish companies for handling the state's grain imports from the West. At the same time, the smaller harbors in Estonia were completely closed to traffic and allowed to deteriorate. Soviet authorities always cited so-called security concerns as the reason for its maritime policy.

The reviving activity and ambitious planning found at Parnu, the formerly lively Gulf of Riga port, is a case in point. Reopened to commercial traffic only in 1989, for almost 50 years it had functioned almost exclusively as a Soviet naval base and as home port for the local deep-sea fishing kolkhoz. With the end of the Soviet Union, the kolkhoz lost the market for its "catch quotas" set by Moscow and is now for all practical purposes bankrupt and its ships laid up.

Overall, however, conditions have gradually improved for the harbors, which are being operated at least temporarily by municipal governments. This is perhaps again seen dramatically in the case of Parnu. Seen as having good potential as an export harbor, it is located at the town center a few miles up from the mouth of the Parnu River. Last year its harbor facilities handled over 300,000 tons of cargo. Most of the volume constituted exports, with shipments of lumber and peat to Sweden in turn making up most of this. At the end of this year still another important product will be added when a newly constructed Swedish plant for making sandbox sand will start operating.

City officials claim they have made harbor fees the lowest in the country to attract business and see the most immediate prospects for increasing port usage lying with passenger traffic. Thanks largely to foreign investments, again mostly from Sweden, there has been a lively restoring of shops, hotels, and restaurants, and many new ones have been built. Largely due to this, the town is regaining its old reputation as a resort center for Scandinavian and German tourists. This summer authorities expect cruise line visits for the first time since before the war. Kristina Cruises of Finland has talked with officials about making Parnu a port of call part as part of a new Estonian cruise route. A Baltic boating festival next August is also expected to boost Parnu as a tourist resort.

Regarding long-range efforts to develop shipping, the Estonian Government has submitted completed plans to the Investment Bank and the European Bank for Redevelopment in order to get financing to improve and expand wharves, warehouses, and other port buildings through soft loans. Authorities believe that approval of the project would permit Parnu to double its cargo handling capacity to 600,000-700,000 tons per year. The proposal also includes funding for dredging the harbor from the current 6-6.5 meters. This would allow ships of up to 3,000 grt [gross registered tonnage] to call at the port.

Parnu's main drawback is that it lacks direct rail connections eastward. Nevertheless, a Parnu port official envisions a key regional economic role: "Parnu can become Estonia's next-largest harbor after Tallinn. We aren't talking about the transit traffic with Russia, but we are trying to find a niche in our natural hinterland in the southern part of Estonia."

However, many infrastructure deficiencies remain to be dealt with even if the international agencies grant

funding. In addition to the mentioned poor land-transportation connections, an even more urgent problem needing solution is the lack of icebreaker vessels in the Gulf of Riga, which because of the unusually harsh winter this year was closed until around mid-March. Estonia has only two icebreakers, both obtained from Finland, and these are fully occupied in the Gulf of Finland keeping open the vital Tallinn area ports. (Finland also recently sold an older icebreaker to Latvia.)

In addition, other Estonian ports, most importantly Haapsalu, have similar harbor development plans for which they are seeking foreign funding. Parnu's Gulf of Riga neighbor Salacgriva, in Latvia, is seen as another competitor.

Muuga will likely continue to remain unchallenged as Estonia's most important harbor, however, due to its good rail communications with Tallinn and east to Narva and St. Petersburg. Moreover, it has the deepest harbor in the country, 18 meters, which means that any ship able to transit the Danish straits can call there. It also has by far the best cargo-handling facilities and equipment. Paldiski, located to the east of Tallinn, may regain some of its prewar importance after the former Soviet naval base is closed, but much work will need to be done in clearing the harbor of sunken ships and rebuilding deteriorated facilities.

#### President Meri, Official on Crime Situation

94P20552A Helsinki HUFVUDSTADSBLADET  
in Swedish 16 Mar 94 p 11

[Finnish News Agency/RITZAUS Bureau report from Tallinn: "Crime in Estonia Increasing Explosively"]

[Text] Estonia today is among those countries of Europe suffering from the worst crime situation, and Tallinn is one of the most dangerous cities in the world. This emerges from the Estonian police statistics for 1993.

"The number of murders has increased by 60 percent since 1992, and measured by 10,000 inhabitants, this is 1.5 times more homicides as in New York," states Priit A. Kelder, chief of the International Division of the Estonian Police.

Estonia has only 1.6 million inhabitants.

There are three clearly different categories of homicides: family murder, arbitrary murder, and organized criminal gang murder.

Only 66 percent of homicides are solved, and the clearing percentage in cases involving other types of violence is significantly lower.

"Our legislation is obsolete, our controls on the border with Russia poor, and police personnel lack training," explains Kelder.

The job of policeman in Estonia is not prestigious, training is brief, and the pay is under the national

average. Twenty percent of policeman quit the force annually to work in the private sector, which pays significantly better.

Organized crime in Estonia is especially tied to the Russian mafia, where there are many former Red Army officers.

"According to what we have detected, all homicides have been committed with illegal weapons and weapons coming from the Russian Army," says Kelder.

#### 55 Bombings—All Unsolved

An entirely new phenomenon that the Estonian police have been presented with is that of bombings. The number of bombings rose last year to 55. The bombs are homemade or originate from Russian military depots.

"Not one bombing has been solved. But we have strong suspicions that the perpetrators belong to the organized underworld, the mafia, and we have good leads to pursue. In the future, many bombings are going to be solved," assures Kelder.

The explosions often are directed at business owners who refuse to pay the mafia so-called protection. There are owners in Tallinn who have been forced to pay from 10 to 50 percent of their monthly gross in order to avoid being bombed.

Bombings have also been directed at the police. Two police stations in Tallinn were subjected to bombings last year, and three police cars were blown up. In some cases the police have been almost in a position to arrest the perpetrator.

In May an Italian experts group that has specialized in combating the Mafia is coming to help the local police in fighting it.

Finnish and Swedish police have also trained and equipped some units of the Estonian police force. From Germany the police have received new police cars and communications equipment.

#### Meri Warns

Estonia's President Meri has warned of the wave of violence and the explosive increase in crime.

"Two poles of power may arise in this country: the legal and illegal," says the president. He has appealed abroad for help in case the police are not successful against this violence wave.

"If Estonia becomes a smuggling corridor for Kurdish refugees, radioactive substances, precious stones, and other illegality, the international community will find it difficult to regard us as a responsible and credible trade partner," said the president recently.

Among other things, Meri seeks a more effective guarding of the border with Russia. He refers to the human smuggling in February, when 66 Kurds were

detected inside a closed container on a ferry from Tallinn to Stockholm. The Estonian police suspect a human-smuggling chain with headquarters in Moscow and Kiev. From there, the refugees are smuggled to Sweden and Finland via Estonia and Latvia.

A couple of weeks ago, police also found a 2.5-kg radioactive object in a container in Tallinn harbor. It was from Russia and on its way to Scandinavia.

An equally intensive smuggling activity is also occurring in the car market. A third of all expensive automobiles driving around the streets of Tallinn have been stolen in West Europe. It seems there is currently a gang in Tallinn that has specialized in attacking owners of expensive luxury cars. As the car owner is walking to his vehicle, he is beaten up and his car keys are taken. The thieves then drive away with a new Volvo, Mercedes, or BMW.

## LATVIA

#### Problems of Latvia's Defense Forces Detailed

944K0851A Riga RIGAS BALSS in Latvian  
24 Jan 94 p 5

[Article by Valdis Kiploks: "The Quiet, Merciless War: Sending Unarmed Soldiers into Combat is a Crime!"]

[Text] Valdis Kiploks continues his discussion of the disorder and even degradation in Latvia's defense organizations. At the center of attention: the Home Guard. But not it alone...

*One must agree with Defense Forces Commander D. Turlais's statement that right now the threats to the independence and security of the Latvian state are greater than the ability to thwart them (interview in the newspaper LABRIT, 26 January of this year, "A Running Officer Provokes Laughter in Peacetime"). Previously (RIGAS BALSS, 4 January) I wrote "The Quiet, Merciless War" about the growth in Russia's legal activities related to the withdrawal of military forces from our country. We must return to these themes yet again, first of all because the government has finally seemingly recognized the priority of national defense and also the Saeima has approved supplementary sums for these needs. But this money will provide only evil if serious endeavors are not undertaken to clean up defense organizations.*

The complicated state defense system can be simplified in the classical way by thinking of it as a tiered fortress defense, in which the first line of defense is manned by diplomats, the second by ideology, the third by national industry; the fourth, though, is the fortress itself, that is the national military defense forces. If the first three lines of defense spend their time in uninterrupted struggles which the founder of military theory, Clausewitz, reminds us that peacetime is only imaginary, then defense forces in this time carry out only the role of catalyst. In an active battle they would be drawn in and their direct functions will be carried out only in time of



military conflict, therefore in the event of final necessity, when the first three lines of defense have not achieved what is desired. Of course, the meaning and arrangement of these lines of defense varies from country to country. For example, in the over-militarized Russia, all defense is based almost entirely on the military complex and that dominates the diplomatic, psychological, industrial and other spheres. In such a country the diplomat Kozyrev or the politician Zhirinovskiy can afford to explore openly armed provocations; their national defense will not suffer from it, for that is guaranteed by a giant army, armed with weapons of mass destruction, and the consequences of their use scientists can only predict, but not precisely calculate. There are similar defense systems in all of the militarized great powers except Japan and Germany. The latter was not permitted by the victorious countries to develop a new Wehrmacht after its capitulation in 1945 and it now is seriously reviewing its defense doctrine. Similar defense issues are being resolved also in the war-vanquished Japan.

Such a model of defense, which was forced on Japan and Germany, but on smaller countries because of meager resources, cannot protect and they came to establish a total defense system, in which all lines of defense flowed together in a seemingly amorphous formation, though actually each insignificant basic organization is subordinated in coordinated action from one center. The exceptions are the defense forces, which stand as a discrete organization carrying out training, supply, and the aforementioned coordination functions. That is a description of an ideal type, in which there would not be also military defense forces, but all the country's defense problems would be resolved by "public defense," which was offered as an alternative to the military by Albert Einstein Institute senior researcher J. Sharp in his speech at the symposium, "New Thinking About European Security." (It is known in Latvia in an expanded version as the brochure, "Defense of Independent Countries Without War and Destruction.") But Mr. Sharp should have known that science and philosophy would permit such an ideal—absolute harmony—only as a momentary pause, after which the rapid slide downward begins, so that the concrete process begins anew, a difficult ascent, but of a different quality. And that is a sufficient basis to conclude that "public defense" alone can never be an alternative to a military. If we truly want to defend ourselves, then we can only go down this road of plenty and there is no alternative.

It becomes clear from the D. Turlais interview that Latvia still does not have a national defense doctrine, since the Defense Ministry must analyze potential threats to our country. But what should be the relationship between this analysis and the working out of the basic law on national defense? National defense cannot be implemented for just some individual event, but must be effective against any, often sudden and unforeseen type of attack. This defense force "umbrella law" must determine, according to a defense system developed according to some model, how we will arrive at the end

result and how that will be integrated, first of all, with the Baltic states' mutual defense system. Two years have passed since the renewal of the country's independence. Yet, we still have no laws nor doctrines. But there have been no changes made in the composition of Defense Ministry personnel. And, if that has not yet been done, then there is a basis for thinking that in the Defense Ministry they are not exerting themselves by sitting on eggs that will never hatch, and that the empty nest-egg should be taken out.

But, if we are talking about threats to our national security, then it would be interesting to know the conclusions of such a competent analysis regarding which is more dangerous: the activities of Zhirinovskiy's without political anesthesia, self-declared, Russian "*Derzhavniki*" [Statists], or the masked "Western expansion," and what might be the defense against each of these events? Everybody knows the facts about the transfer of many millions of dollars, which the Central Committee of the CPSU donated to the Communist parties they maintained in various countries, not to fund picnics, but to maintain the dirty deals and destructive actions connected with associated companies in these countries. But now, right in front of our eyes, innumerable foreign companies with dubious reputations are establishing here practically uncontrollable foreign joint ventures, including Russian and local self-seekers. And all of the negative by-products of this process show that the characteristics of those activities are the same as those for which some USSR Communist party paid such colossal sums in the West. Just on 10 January of this year the conflict in Riga's Vidzeme borough plainly showed that making contact with such puzzling organizations will be much more dangerous than the Skrunda radar remaining and that a warehouse established by some foreign country's military personnel (their existence at their respective addresses is news to the municipal authorities) could give rise to a military conflict fateful to the country. These facts alone already create the belief that our government's publicized "Western investment" in Latvia is nothing more than the same Communist money flooding in through the West. And the apparent sharp disagreement provoked by the East serves only to deflect attention from this, our country's truly dangerous process. Although in Russia it has been even officially announced that for political purposes gigantic sums will flood into Latvia.

It is clear that the delay in working out the basic law on national defense connects the Defense Forces commander and his actions in the work of the existing headquarters and creates chaos in subordination of defense forces, thereby directing them down the path of degradation. National defense cannot be developed today by fitting it to some personality or situational flow, but we must proceed in accordance with the law, in developing a concrete defense system. And we will immediately see where such unnecessary delay takes us.

Today it is clear to every somewhat thinking person that Latvia's defense cannot be ensured by barbed wire fences

and minefields on the country's borders, nor could it be done with a Maginot or Mannerheim line. Only the aforementioned seemingly amorphous national total defense formation can create the threat of unacceptable casualties to an invader and cool the heads of warriors. If we accept that right now the worries about our security are directly related to Russia's behavior, then Russia's critical demographic characteristic right now still shows that the former popular and military mass is not there any more and so this factor cannot be depended on.

The most appropriate defense to develop in a modern state was the Home Guard. Correctly organized, well trained, armed and supplied, it could have become the basis for such a defense. But at that time, contrary to the accepted standards of defense development, it was not subordinated to the Defense Ministry and the supreme command of the Defense Forces. And what is happening there now?

In the training for the officers of the Riga Home Guard brigade in October, company commanders spent a whole week learning how to determine proper protocol for a completely woozy person, that it is humane to hit someone sleeping on the street in the nose, to make it bleed, because without bleeding and some apparent trauma medics simply will not take this person and he will freeze, and that car theft does not qualify as theft, because such a crime is missing an "objective side." They clarified still others of the Russian criminal code demagogic absurdities actually in force and the militia's acquired tricks. And such training is paid for, so, as was said on television, more will be carried out!

Theorists of revolutionary wars and practice prove that organizations established according to voluntary principles, such as our Home Guard, can have only one task: to protect the people and the country. Losing that, it disintegrates with the tendency of individual groupings to develop new or to integrate themselves with already existing criminal character organizations. Thus the world-renowned Italian mafia, "la Cosa Nostra," developed from the self-defense organizations of Sicily's inhabitants. Totalitarian regimes did not permit the existence of organized crime without state sanction (the coming into existence of those is one of the surest weaknesses of the regime and symptoms of imminent collapse), therefore after carrying out their assignment these organizations are simply liquidated. Thus totalitarian regimes liquidated the *Oprichniki*, the early Chekha, the *Istrebiteli*, Rem's *Shurmoviki* in Red Russia, and the Red Guards—the implementors of the "Cultural Revolution" in China.

This same destruction theory and practice is safely and effectively used by psychological warfare specialists and parallel to the chief task in these organizations or popular movements with patriotic motivation brings in some side assignment or responsibility. With that division, the organization is inoculated with the virus and its movement in the main direction is practically halted.

A glaring example of this sort of invasion is found in the actions of the Supreme Council, etc.

The people who joined the Home Guard were patriots, and in the beginning it was organized to protect Latvia's independence. But now at such a critical time to the country, it is obviously being shifted to carrying out police auxiliary service functions! Thus, it is on the road to degradation and disintegration!

One of the characteristics of revolutionary war tactics, to influence the enemy in the most painful way possible, is the fourth thesis formulated by Mao Zedong: "Concentrate in every battle on superior enemy forces." This thesis must be understood to mean that by pretending to rob banks, telegraph centrals and other objects one achieves their stationary guard. And, the more objects that are guarded, and the larger numerically are the guard units, the more beneficial the situation will be for the attackers. A well-planned operation in such an instance will involve a numerically small, well-prepared group of men, who can destroy many numerically large guard units in a few hours. Working out countermeasures to such tactics the German military specialist E. Vorwerk wrote: "One must have the perimeters of objects guarded by those who have a stake in saving the country. For the most part the existing protected objects and sensitive points must be locked together in object groups, which are close together, and they must be protected by roving patrols, but at irregular times."

And what is our Home Guard occupied with right now? Chiefly with the stationary protection of companies able to pay to protect themselves! It is hard to believe that that is out of ignorance or circumstance; it is more logical to conclude that the Home Guard is deliberately being prepared in conformance with the aforementioned scheme or even without pretend robberies and noises, with the help of the same aforementioned Communist party money.

An increase in funding from the state budget for the Home Guard in such a situation will only promote it as the collapse of the national defense organizations. And that is why it is without resistance subordinated to the Defense Ministry and the Defense Forces command, no matter how powerless and undeveloped this ministry is right now. The experience of Lithuania and Estonia is that with such a merging of defense forces protests from some Home Guard commanders or even units could be anticipated. But that will only prove that it is not in their own personal interest to subordinate themselves to anyone and it will clearly show how productive were the activities of the rotting invaders of the the Home Guard.

Both the Defense Forces and the Home Guard still are short of weapons. We are talking here about the most basic soldier's armaments: mortars, grenades, machine guns, automatic rifles, flame throwers, etc. That must be labeled as particularly illogical because producing these weapons is simple in reality. The experience of war

indicates that producing them without particular difficulty can be begun in a week's time wherever there are general-purpose metalworking tables. Latvia has enough specialists and all the prerequisites for light weapon production. In its place they open a monopoly company store, where Home Guardsmen must use their personal resources to acquire pistols and carbines, but not the automatic weapons needed for defending the country. In addition, even these limited arms end up in the hands of civilians who have money and a personal interest. No one in the government has shown any interest in weapons so essential to national defense, such as mortars, grenades and automatic rifles, and none of the Riga Home Guard battalions have any of that. One must be severely limited to be unable to understand what kind of policies and from what quarters it comes!

Production and sale of battlefield weapons is one of the most profitable businesses in any country and in the current situation it cannot be allowed to be managed by a private company. Such action will permit store proprietors to skim off public money intended for national defense needs into their own pockets, and state control over this branch would be lost.

The battle readiness of the army, including the Home Guard, is determined by three factors. "If one of them is zero or only at a low level, then the level of battle readiness, irrespective of the strength of the other indicators, will not exceed the level of the lowest factor. Therefore, if the army is not armed, then the remaining determinants of battle readiness cannot save you." For the sake of clarity in his interview Mr. Turlais should have expressed this axiom to its end, that is, "A government that sends into battle unarmed soldiers, is a criminal one."

Completely puzzling in the interview are the Defense Forces commander's statements about the functions of the Defense Ministry, its activities and his relationship with this institution. In reality and also in essence, the Defense Forces commander also is a member of the government and democracy would not tolerate it if the supreme commander would also be the Minister and the Defense Ministry did not exist. The division of power principle would not change by that. Defense ministries were established in the highly organized countries to free defense force commanders from all the ancillary duties, such as supplies, finance and other similar questions and so they could effectively resolve only one assignment: the military defense of the country. In addition, by establishing a total model of national defense, all civilian spheres are included and the defense ministry must resolve problems associated with it. Here, too, issues of a military character remain within the competence of the supreme commander. One can imagine what kind of defense that would be in war time, if military operations were planned by a civilian ministry and the commander received those plans the evening before the battle.

In his ignorance the staggering officer will be no better than the running one to whom D. Turlais referred. And,

freeing ourselves from Soviet thinking, we must still understand how to avoid falling into the trench of helplessness. The Defense Forces commander is and must be the person who has the final word in all military questions, within the national defense policy confines determined by the Saeima and Constitution, of course. And such a commander will have the recognition and support of the people.

### Security Service Chief Interviewed

944K0754A Riga NEATKARIGA CINA in Latvian  
24 Jan 94 pp 1-2

[Interview of Security Forces Commander Juris Vectirans by Andris Jakubans and Eriks Hanbergs: "Juris Vectirans—Only to Andris Jakubans and Eriks Hanbergs"]

[Text]

[NEATKARIGA CINA] You are the leader of the type of agency that appears dangerous to some, and maybe even ready for the dustbin. Therefore, the first question is quite simple: How many times have you been shot at?

[Vectirans] I remember the last time quite well. It was New Year's. My brother-in-law. With a champagne cork.

But, seriously, there have been critical situations, of course. I served in the militia; in the Internal Affairs Ministry my work was connected with examining criminal activity at various levels. I have been shot at, but, thank God, never been hit.

[NEATKARIGA CINA] What is the feeling at that moment, when the bullet goes past?

[Vectirans] It is, of course, not pleasant. I heard the most buzzing bullets in January of '91. Back then I was carrying out the duties of the deputy commander of the government guard service. In carrying out my responsibilities there occurred a contact with OMON troops. When the takeover of the Internal Affairs Ministry occurred I found myself at the Cabinet of Ministers building. From there I repeatedly went to ministry building to evaluate the situation and to resolve it. Bullets whined past; but I did not act like a hero, either in the classical nor in any different sense, when I did what I had to do, and that's all.

[NEATKARIGA CINA] But you are not like the "Brave Soldier Shweek?"

[Vectirans] Certainly not, although I like very much this Haek character. I have found that book again, so that I could read it again. It often occurs to me that a colonel in the Latvian army is injured more than in the Soviet times, being a Soviet officer.

[NEATKARIGA CINA] In the days of the barricades [January 1991 and later] someone wrote on the Riga railway station platform, in Russian: *Let's Hang Vectirans!*



[Vectirans] Ha! I guess those who wrote it didn't do as well with the rope!

Of course, my connection to the events of the time of Awakening was close. Those years in my life are the brightest and remain best in my memory. Of course I am not thinking about my personal life, since the birth of my second daughter in '89 also was a huge event in my life; as a rank and file member of the Popular Front I obeyed my leader, Dainis Ivans, in his appeal to enrich Latvian families.

Yes, time of Awakening was rich in events. We began to organize volunteer police formations in the self-defense units. That functioned successfully and for some time, causing alarm on the side of the imperial defenders.

[NEATKARIGA CINA] The public seems to know you well, but they would certainly like to know even more.

[Vectirans] I was born in '53, October. In a good time, after the death of the despot Stalin. My generation must work off the difficulties of that time, to develop Latvia into a powerful country.

I was born in Zemgale, in the famous port city of Jaunjelgava, into a provincial intelligentsia family. I studied there until I turned 18, then I enrolled in the army college, but due to circumstances I ended up in active military service. I served in the USSR Internal Affairs Ministry's special motorized militia unit. I ended my service in Riga as a sergeant, group commander.

Then there was work in the ranks of the Internal Affairs Ministry posts, teaching in the militia school and in the USSR Internal Affairs Ministry school in Lviv. I also finished at the Higher School of the Internal Affairs Ministry. Various promotions, courses, also highest academics in Kiev.

Among other things, I arrived in Ukraine at the end of May '90, so from a country that had declared its independence from the USSR. I was accepted with understanding, well-treated, perhaps also because of my personal characteristics, as my country's representatives, as a Latvian officer.

[NEATKARIGA CINA] We have it on good authority that you have in your house an historical sword and that your ancestors were policemen.

[Vectirans] I have many swords, but the one to which you are referring is unique. It belonged to one of our relatives, a cavalryman who was awarded the Order of Lācplēsis, third class. He managed to save himself from the repressions, perhaps because he de-mobilized from the army in '33.

I have read in his documents, by the way, that Latvian officers in the Tsar's army declared their support for the establishment of the Latvian state. And these officers wore a ribbon in the colors of the flag of Latvia on their uniforms, thereby publicly displaying their stand. To join the ranks of the Latvian army, an affidavit from

several colleagues in the service was required, attesting to the person's having demonstrated a nationalist orientation. (I, too, when I assumed the post of First Police Battalion commander, was strongly vetted in a meeting; they took into account sponsor affidavits, although I was the Internal Affairs Ministry's senior cadre officer with 17 years of service.)

[NEATKARIGA CINA] How did your path as a Popular Fronter start?

[Vectirans] I participated in meetings and the like, along with my wife and oldest daughter. I wanted to be together with my people, to feel the oneness.

[NEATKARIGA CINA] Did you arrive as a private person or as an officer?

[Vectirans] Back then I was an Internal Affairs service officer and the uniform was military: the uniform of a USSR army officer. It was just by accident that I did not have to stand in the human chain at the Monument of Freedom and interfere with the right of the Latvian people to honor our most sacred symbol. For that I am thankful to fate, for I cannot even imagine how much strength it would have required within me to fail to carry out the order of the commander of the day.

[NEATKARIGA CINA] Yes, it was a time when many militiamen had a moment to examine their consciences.

[Vectirans] Many militia workers have told me about their feelings at that time. But many carried out their duties at the Monument of Freedom back then with great joy. But we all will have our time to be sifted into history's granaries and we each will receive our judgment.

My daughter was a student in the ninth grade in the First High School of Jelgava, and I joined the Popular Front group at this school, with the teachers. My comrades in the service knew little of this. But my stand was clear to them.

[NEATKARIGA CINA] Have you met with your service comrades from that time?

[Vectirans] My current service duties are such that I do have the opportunity to meet former, I do not want to call them all *comrades*, but more often colleagues. We understand one another, and we do not have many disagreements, if we are not talking about the most important things.

[NEATKARIGA CINA] Perhaps you have arrested some of them, the former ones.

[Vectirans] Only Parmyonov was arrested and tried. There is not a single document which at least analyzes the activities of those Internal Affairs Ministry workers who were involved in supporting the imperial system, their actions, inactions or offered assistance in the dramatic events of that time, when the existence of the Latvian state was decided.



[NEATKARIGA CINA] But still, you as Security Agency leader have such a balance, of course?

[Vectirans] Hmmm. Many think that the Security Agency operates like the one-time KGB, but that is not so. Our functions include protection of the highest officials, receiving foreign delegations and guaranteeing their security, guarding embassies and other nationally significant objects, and, of course, operational activities to ensure all of that.

But, if you refer in your question to activities against elements, organizations hostile to the Latvian state, then I can say that there are no specific national policies on this issue. There is completely uncoordinated information collection by various state organizations.

[NEATKARIGA CINA] How was it that the Internal Affairs Ministry was unable to locate Mr. Rucs, while your Security Agency men did so without a problem?

[Vectirans] There was nothing illusory or abstract in that situation. Everyone acted much more simply and prosaically than perhaps might be imagined, but not simply.

[NEATKARIGA CINA] Was [Internal Affairs Minister] Girts Kristovskis jealous of you for such a turn of events?

[Vectirans] I think that Girts is not trampled down by this character flaw common among some men. And in this event there was no basis for jealousy. We joined the operation at the direction of the President, but the successful conclusion was determined by both the Agency's specific character and by the prevalence of good contacts with all organizations.

[NEATKARIGA CINA] I once read this conclusion in the history of assassination attempts: in the de Gaulle era French security agency workers trained in America, but remained faithful to their system and boasted that they guarded de Gaulle, but not the American Kennedy. Where are your workers trained? What do your people gather from international experience?

[Vectirans] We are constantly improving ourselves. I, too, even though I have a degree with the highest legal education and experience working in the Internal Affairs Ministry. I have studied in many courses which were organized at the request of our government by foreign specialists, but we must continue to improve our model.

[NEATKARIGA CINA] You were also trained in America. How did the American service and police differ?

[Vectirans] We acquired experience in a similar service, which makes arrangements for national leaders, the top official, organizing a representative task. These jobs, you can say, have a visible part that looks similar, two or three strapping men walking with the person being guarded, but of course there is a whole complex range of tasks being performed, which are carried out by other particular agencies. The experiences I acquired in America come in handy.

[NEATKARIGA CINA] Those who have seen the famous film "Bodyguard" for the first time completely understand how complicated this profession is.

[Vectirans] And they were also convinced of how unsuccessful it is, if it is not connected with the other services. The success or lack of success in guarding people is always directly dependent on the other security agencies.

[NEATKARIGA CINA] Your's are strong?

[Vectirans] Developed, but not to the point that we could say that in this area nothing more needs to be done.

The one-time KGB carried out their job well and effectively enough. The Soviet era personal protection system was only a small part of the totalitarian regime's system, which ensured its existence. Now a few journalists wonder why nothing was seen before, but now suddenly it is seen! We must remember that that system carried out complete scrutiny and control of society, both spectators and the composition of people's groups were given out in doses. Even in May Day demonstrations marchers were specially selected from factories.

My wife told me that at VEF they conscientiously selected marchers. Those who did not carry out this task were not permitted at the demonstrations the next time. Yes, the KGB, which in principle managed public opinion, actively operated in factories and the larger enterprises.

[NEATKARIGA CINA] Does such a system also operate now?

[Vectirans] No. But still, caution is necessary. We actively cooperate with government institutions with similar functions, with the Internal Affairs and Defense ministries, with the Home Guard. The successful conclusion to the Pope's visit was attributable to our agency, the aforementioned department, of all the country and, I will not be particularly bashful if I mention to a certain extent also my modest contribution. The stress of preparing for that was terrific, a big job was carried out, and everything, with the Lord's help, succeeded as befitting, not to mention that the level of threat was sufficient. That is proof that the country's security system is functioning.

[NEATKARIGA CINA] Our photographers were not satisfied with being permitted to photograph the Pope only from a great distance. That was not just the caprice of the press this time; this visit was a distinguished event in Latvian history.

[Vectirans] Mmm, yes. There will always be someone who is dissatisfied, including journalists. We tried to take into account their wishes also, of course, for the closer they got to the Pope, the closer they wanted to get.

[NEATKARIGA CINA] The successful security for the Pope's visit truly was your agency's most satisfying hour. Afterwards the press reported that Vectirans was

walking around with a smile on his face. But how did you yourself perceive the arrival of such a high-ranking person?

[Vectirans] The groundwork was done very carefully, the stress is considerable, but there is satisfaction after successful visits. The Pope's visit was unique, leaving me with a deep personal impression. Finding myself next to the Holy Father, that was a unique event for me.

[NEATKARIGA CINA] What are your contacts with those security agencies which escort high-ranking officials here? Psychological, practical?

[Vectirans] In August '91, after the Putsch events, when Russian Federation leader Yeltsin found himself in Latvia, and that was kept secret, our Security Agency also participated in protecting him. The situation had not yet been completely resolved, and therefore was stressful; we were in full combat readiness. Yeltsin's bodyguards were significantly better equipped than we were. We adopted their recommendations in a business-like way.

We have always had collegial relations with our brothers-in-arms, although, for instance, the Americans really have a lot to be proud of (we, too, have no shortage of pride, either), a high level of professionalism, sufficient autonomy to resolve our questions.

[NEATKARIGA CINA] Did you communicate in English?

[Vectirans] Yes, quite successfully, using a translator.

[NEATKARIGA CINA] In Latvia arguments have flashed up over independence, subordination, and cooperation, also regarding the Security Agency. How independent are you? To whom are you subordinated? With whom do you cooperate? How much are you permitted to say about all that? Also about those altogether behind-the-scenes brawls?

[Vectirans] I would say that real battles happen, not just brawls! I probably do not even know all of it, but that is a matter for the politicians who must after all heed our professional viewpoints to develop a model appropriate to Latvia. The Security Agency grew out of the First Police Battalion, which appeared as part of the Internal Affairs Ministry and was the first national armed organization. In the time of Awakening it was a strikingly national unit. During the August Putsch the battalion succeeded in escaping physical losses (but not material ones), maintained itself as an organization and developed; the Supreme Council's guard service was established, and autonomous, independent organization which later was transformed into the Security Agency. We are a constituent part of the National Armed Forces.

[NEATKARIGA CINA] Who is your commander?

[Vectirans] The Security Agency is subordinated to the President of Latvia as the Commander in Chief of the National Armed Forces. We actively cooperate with the other organizations.

Yes, but rumors the reorganization of the Security Agency are not without basis. Once the Internal Affairs Ministry was viewed as stagnant and a program was worked out to reorganize it. The Security Agency needed to secure a bloc more connected to state sovereignty, but the Internal Affairs Ministry was in its direct competence, the battle against crime and so forth. Now we, who have proven by our actions that we are powers faithful to the Latvian state are being reformed. Still, reforms are necessary in all of the system.

[NEATKARIGA CINA] Perhaps because you are working too well?

[Vectirans] If it were only so, then I could answer the question differently. The classical variant has been established: the Internal Affairs Ministry, the Defense Ministry, the Home Guard (a new organization, which they may also grab hold of and liquidate soon?). The job is done energetically. Security Police are foreseen within the Internal Affairs Ministry. All that's left is to wish them well in actively working to protect Latvia's sovereignty!

[NEATKARIGA CINA] But still, what is your view of the way in which we should move in this instance?

[Vectirans] The country must have permanent service with the task of carrying out a complex variety of tasks, including special ones, to guard the independence of the state of Latvia, the people's freedom. These last words must be the guiding motto of this service.

Our organization's work could be included within this complex. In no way can it be found within the Internal Affairs Ministry, at least in the near term. It [the Internal Affairs Ministry] already now carries on operations, inquiries and investigations inside and outside the country's territory; it has prisons and its own army subordinated to it. All that it is missing is its own judiciary, and then it would be a complete model of Stalin's Security Ministry. That would be dangerous to the Republic of Latvia, to the renewal of democracy. I have already expressed my ideas to the President, the Prime Minister, and the Chairman of the Saeima.

We must bring into order the penal (prisons) system and subordinate it to the Justice Ministry, investigations to the Procuracy and the financial police to the Finance Ministry, to decentralize powers of repression. The powers of repression are particularly unacceptable if the Internal Affairs Ministry is led by politicians, who, whether they want to or not, more or less, will be led by their party interests.

[NEATKARIGA CINA] You were one of those who arrested [Communist Party Secretary Alfreds] Rubiks after the Putsch, placing irons on his arms...

[Vectirans] No, I determined that, evaluating the situation as a professional, that it was not necessary to place this person in irons.

[NEATKARIGA CINA] Among other things the Generals were complaining that the irons placed on Mr. Rucs scraped his upper arms.

[Vectirans] Mr. Rucs is a leader in the civilian administration and perhaps he has different rules and regulations than we soldiers.

Yes, but regarding the arrest of Rubiks I can tell you plainly only that I cannot say much, because the legal proceedings are continuing and I have not yet given my testimony.

[NEATKARIGA CINA] It is clear how you two met on that August day, but at least tell us about how you parted back then!

[Vectirans] Rather lyrically. Yes, there were certain emotions and not negative ones alone. That day was very turbulent overall. While we were still in the former [Communist] party central committee building, we received information that OMON was preparing to arrive, to liberate the building and those arrested in it. We arrested Rubiks are were preparing to leave in a mostly unknown direction. Even I had in mind a certain place, but at the last moment we ended up in another. In addition, it was 23 August, a very significant day to the Latvian people [anniversary of the signing of the Molotov-Ribbentrop pact]. I also wanted to be together with everyone else at the Monument of Freedom, and we were hurrying. There were several incidents. Yes, perhaps some day I will be able to talk about it all more deeply.

[NEATKARIGA CINA] In the Ulmanis era, it turned out that Latvia was a diplomatic and spying center. Are there any espionage services operating? Is the government able to control it at all? It sometimes seems that the Russian service operates completely in the open.

[Vectirans] I must be circumspect in what I say. In general I could say this: Questions must be resolved more quickly about the withdrawal of the Russian army in planned steps, for that is connected with handing over certain positions (in a secret way) in the tossed-off territory. If we can do it that way, then why not withdraw? Some sort of planning can be seen. Would positions be sufficiently strengthened? There is food for thought here.

[NEATKARIGA CINA] Could a secret police be established in Latvia?

[Vectirans] In the era of Latvia there were the secret police, the political administration and the security police. Three different names, but in reality the Internal Affairs Ministry political administration.

Among other things I can say that there are no [former] Chekhists working in the political administration of Latvia.

[NEATKARIGA CINA] Was Fridriksons a shining personality?

[Vectirans] Other countries used the fruits of his labors. His workers were in other institutions, carrying out colossal work. I think that Latvia must remember its patriots, such as these Fridriksons people.

The practice of the special services of other countries is to utilize professionals for the benefit of the state. And done correctly. Latvia is not so rich to throw around professionals. Another thing, I do not think that, for instance, Dzerzhinsky's students would operate in the Latvian political administration. Please, God, save us from Dzerzhinsky's *grandchildren* working in our security police!

[NEATKARIGA CINA] How is it with the selection of personnel? What are the principles for selection? How does one become persuaded that such *grandchildren* of Dzerzhinsky will not be able to infiltrate? Can you think about that and sleep peacefully at night?

[Vectirans] I am not tormented by sleeplessness; the agency has accustomed me to sleeping in any manner. But Latvia is not to the point where Vectirans can sleep peacefully.

The first and most important criterion for choosing personnel is loyalty to the Latvian state. Also professional fitness and preparation, of course, but the determining factor is whether this person is a Latvian patriot. In my opinion the approach to it is still overly superficial, formal. Although for me as a soldier, the survival of the Latvian state, speaking without particular emotion, is a matter of honor.

[NEATKARIGA CINA] In selecting employees have you sometimes made mistakes?

[Vectirans] Unfortunately, yes.

[NEATKARIGA CINA] What do you do with them? Deport them?

[Vectirans] There are various methods. Generally I am led by the interests of the agency and the demands of the situation, based on the law.

[NEATKARIGA CINA] What do you do in instances of incompatibility?

[Vectirans] That has happened and it is a specific circumstance. The mutual compatibility of people in carrying out the agency's duties is very important. If that is missing then the problem must be resolved in an ethically correct way. Everyone must understand that protection is not necessary just for its own sake, but because

the bodyguard carries out duties important to the state and our duty is to secure them, correctly and inconspicuously.

[NEATKARIGA CINA] There are many military units in Riga and every company has its own security service. The rackets are operating. The disorder in this area appears dangerous. Are you on top of the situation?

[Vectirans] Being concerned with personal protection, companies hope that they will thereby be guaranteed security. But personal protection does not guarantee that, if there is no security and order in the country, if every citizen's security is not guaranteed. We cannot depend on the successes of individual guards until the state ensures law and order.

[NEATKARIGA CINA] What are you by nature: an optimist or a pessimist?

[Vectirans] It is a very hard time for Latvia right now. We are standing at the crossroads—perhaps it is our country's fate, always to be at the crossroads. But still, I as a Christian person, also know that we must do everything possible so that we again have order here. And I also know that IT WILL BE ALL SORTS OF DIFFERENT WAYS, BUT IT WILL BE GOOD. One hundred percent! I will even swear to it with my signature!

Ina Eglite prepared the discussion for publication.

#### Peoples' Accord Party Formed

944K0850A Riga DIYENA in Russian 7 Feb 94 p 1

[Article by Sanita Upleja: "Jurkans Founds Peoples' Accord Party"]

[Text] Riga, 6 February—Some of the deputies of the Accord for Latvia faction in the Saeima joined others of the same political views in founding the Peoples' Accord Party (PNS) Saturday on the Latvian University campus. A party program and charter and several resolutions were adopted at the congress. Janis Jurkans was installed as party chairman. The founders of the PNS will continue to work in the Accord for Latvia faction in the Saeima.

The party constituent congress was attended by Saeima deputies Andris Ameriks and Igors Bukovskis, and the party declaration was also signed by Lyudmila Kupriyanova. The PNS was founded on the basis of the Latvian Support Fund. Some of the Accord for Latvia deputies who were not involved in the establishment of the PNS—Edvins Kide, Juris Janeks, Yevgeniy Zashcherinskiy, Vilnis Edvins Bressis, and Janis Lucans—will form their own party at the end of March and join the National Economy and Prosperity bloc. The programs of the two groups will continue to agree with the platform of the Accord for Latvia and Recovery for the National Economy bloc. When Saeima Deputy Igors Bukovskis addressed the congress, he said there was no split in the

faction. It was simply that the bolder members were quicker to form their own party. He expressed the hope that the other deputies in the faction would join the PNS soon.

Forty people voted in favor of the creation of the PNS at a general meeting, including Mavriks Vulfsons, Nikolajs Nejlands, Juris Rozenvalds, Ilze Jurkane, Ivars Kezbers, Vladlens Dozorzevs, and Janis Aboltins.

One of the authors of the party program, Juris Rozenvalds, remarked at the congress that the PNS would take a centrist stance, would support the market economy and the development of entrepreneurial activity, and would defend the active voting rights of residents in local elections.

In his opinion, the PNS's closest neighbors in the spectrum of political parties are the Democratic Party, the Democratic Party of Labor, and the Latvian Social Democratic Workers Party.

The PNS program advocates the election of the president of the state by all of the people, calls for the unity of the Latvian public, and requests the Saeima to pass a declaration on ethnic and social reconciliation. The PNS believes that people who have lived in Latvia for the last 10 years and have a conversational knowledge of the Latvian language are entitled to citizenship, but preference in the granting of citizenship should be given to permanent residents who were born in Latvia (with the exception of foreign servicemen on active duty and their descendants) and the family members of citizens of the Latvian Republic. The PNS recommends that the naturalization of non-citizens start as soon as possible.

The PNS sees Latvia's main foreign policy objective as the normalization of relations with Russia and other CIS countries. The economic section of the PNS program expresses support for the market economy, as well as for the state as the largest owner of capital and the coexistence of various forms of entrepreneurial activity.

#### Latvia Serves as Transit Point in Narcotics Trade

94WD0270A Riga DIYENA in Russian 10 Feb 94 p 4

[Article by Rita Nasheniyetse: "With Narcotics to Europe; The Baltic Today is an Ideal Place for Transit of Narcotics"]

[Text] In September of 1993, the police in Olayne confiscated 8 kilograms of amphetamine pills. This was the paltry remnants of the Olayne "goods" which several years ago filled Europe. Around half of the amphetamines which ended up in the hands of the English police came from Latvia. There are hardly any other Latvian goods which are so abundantly represented abroad. However, the production of amphetamines is not our largest contribution to the international drug trade.



### Latvia is integrating

From the territory of the Near and Middle East, where opium and narcotics of the cannabis group are produced, from the countries of the golden crescent—Iran, Pakistan and Afghanistan—the goods, according to tradition, were sent to Europe along a relatively short transit route through Turkey, the Balkans, Greece and other Mediterranean Sea countries. At the present time, the transport of narcotics has been shifted closer to the northern boundaries. Crossing the CIS countries, shipments of drugs make a huge circle and are re-routed in the direction of the Baltic.

The "goods" from Russia, the Transcaucasus and the southern republics of the former USSR also come through the Baltic (primarily through Latvia with its three ports). Narcotics intended for the Scandinavian countries are brought in from Poland.

Also not excluded is the particularly exotic transit (from some African country) or through Russia and the Far East from South America. The Baltic today is the ideal place for the transit of narcotics. A wonderful geographic position in combination with weakly guarded borders, an increasing influence of organized crime, legislation which has not yet been regulated and clearly expressed corruption have become the reasons why narcotics have begun to be distributed along the channels in the direction of the Baltic with an ever increasing intensity.

### Latvia as a market for narcotics

"Latvia as a market for narcotics does not yet have particular significance, but it does play a very important role in the transit of narcotics," says the deputy chief of the Main Police Administration of the city of Riga, Vilnis Kipens. Mr. Kostenko from the 6th section of the police department also agrees with him. However, this certainly does not mean that the drug business here is not a profitable endeavor. Such a point of view was expressed in the newspaper TEV in the issue for 15 November 1993: "As strange as it may seem, the profits of the mafia obtained from trade in narcotics in Latvia are not great. As compared with the developed countries, the consumption of these substances here is rather insignificant. Therefore, trade in them is entrusted to dealers of a lower level—obviously, under the condition that they regularly hand over the appropriate part of their income to their bosses."

Trade in narcotics at street "points," perhaps, does not make an impression. However, this is merely the "enterprise" of small dealers who, in turn, rely on "wholesalers"—large dealers who rarely catch the attention of the police and are almost never detained by them.

Approximately 1,000 laty worth of goods pass through the hands of the large dealers in a 24-hour period. A large dealer always has at least 20 kilograms of poppy straw on hand, several liters of "khitkhanki" (raw opium—raw material for production of heroin, which is also used in the form of a semi-finished product) or goods which are

analogous in their "value." Large dealers do not stand at the very top of the pyramid in the narcotics trade. They may conditionally be called the second degree workers in this business.

As to where the monetary relations with organized crime lead subsequently, we can only conjecture. We should remember that in Latvia the source of profit has become specifically **transit**, and the "informals" will certainly not let anything of theirs slip away. Although we must also remember that part of the goods pass them by. Although the drug business is that sphere of activity in which the representatives of organized crime find a common language, for some the possibility of getting a higher profit seems too tempting.

### Couriers in the drug business

The most significant moment in the work of the narcotics transporter—the courier—is to bring the goods over the border. The "spectrum" of courier cadres at the present time is rather broad—from "specialists" to drug addicts engaging in transport at their own fear and risk. During the operation of "closing" the channel for transporting drugs which connected Lithuania and Latvia, a family was detained which was transporting across the border drugs hidden in the diapers of an infant.

However, a trained courier does not travel holding a bag of hashish in his hands. The transport of narcotics may be organized with the aid of train conductors, locomotive engineers, long-distance truck drivers or aircraft pilots. In these cases, the courier merely provides the transport for shipment of the goods from one place to another, settles accounts with the sellers and arranges all necessary matters.

A more complex form is also practiced, when one other person—a manager—participates in the transport of the drugs. If the shipment is especially large or if new business contacts are being established, the negotiations at one end or the other, as well as the monetary arrangements, are handled by the manager. In this case, the courier is responsible for the technical aspect—to organize the transport. With the "specialization" of the drug business in Eastern Europe and the CIS countries, couriers are also becoming professionals. At the present time, the number of those couriers which themselves use drugs is declining. Among them you will rarely find those who use weak drugs for a prolonged period of time, or those whose bosses force them to refuse narcotics. A good courier is more valuable than gold. He is considered a small but necessary detail in the mechanism of the large-scale drug business.

### Once again about the border

Opinions vary as to what percentage of the drugs which are brought in are detained at the border. In any case, this is a trifle. Foreign experts in combatting the drug trade believe that at the moment of import-export, only about 5-6 percent of the amount of drugs brought in are actually confiscated in the West European countries.

Nevertheless, it is specifically the border which is the place where the struggle of any state with the drug trade begins. A regulated border has not only the inspection and detainment of cargo and documents, but also a well-ordered system of information. Today there is no precise information about who is crossing the border and for what purpose.

A Bureau on Combatting Narcotics will soon be created in Latvia. At the present time, it is presumed that it will employ at least 30 persons. But perhaps this is not the indicator which we should consider as being decisive, determining the effectiveness of the work. Perhaps a more significant indicator is the measure to which its work will be supported by the state in a financial and juridical sense (with the aid of legislation). Ultimately, this is a question of prestige—how long will Latvia serve as the window to Europe? A broken window, through which anyone who wants to can climb.

#### Not only oaks grow in the Baltic

Opium poppies grow there too. The road to bright capitalism has had a heavy impact on the financial situation of the peasants. Neither the raising of livestock, nor grain growing bring them a decent income. Therefore, they are trying to make a living by growing poppies. What areas specifically are taken up by them, it is hard to say. However, in Lithuania, where this trade has become rather popular, law enforcement workers in 1993 confiscated around 1 tonne of poppy straw of local production. It has been learned from certain unofficial sources that part of the opium poppy straw was brought in from Ukraine or from Lithuania. Latvia also strives to make its "contribution" to the field of poppy raising. The residents of Talsinskiy Rayon worked particularly well last year in this regard.

Aleksandr Kostenko, chief of the group for combatting drugs of the Riga police department's section for combatting organized crime, believes that Latvia should seriously undertake the struggle against growing narcotics raw material, returning to the control measures which were popular in the early 80's.

We might add that the opium poppies grown in the northern regions are especially highly valued by drug dealers due to their prolonged storage time.

The community does not realize the full measure of danger—So says Modris Krishyanis, deputy chief of the 7th Section of the Main Police Administration in the city of Riga. "We in Latvia have not yet realized the danger which threatens us. Today it seems to us that nothing terrible is happening, but this is the calm before the storm. Abroad, even acetone is strictly accounted for as a raw material for production of narcotics: Its transport, storage and application are under the strictest control. Yet here in our country one can buy narcotics at the drug store. 'Solutan,' which has become a very popular medicine in Latvia, and which is prescribed even for children, contains ephedrine, which is classed as a stimulant. A drug addict needs 6-7 cubic centimeters of this substance, yet from two bottles of 'solutan' one can get 22 cubic centimeters. All this is perfectly well known both to doctors and pharmacists, but if a person gets 30 lats a month, he can yield to temptation and write a prescription for money or issue the medication for a counterfeit prescription."

"Very many drug addicts want to get treatment. However, the medical institutions in Latvia have allotted only 70 beds for this purpose."

"At the present time, a drug market is being born in Latvia. 'Ladies' narcotics—ephedrine and other 'mild' pills, which have become popular among the young people, in fact create a base for the use of strong narcotics in the future."

#### Narcotics—a tool for manipulation

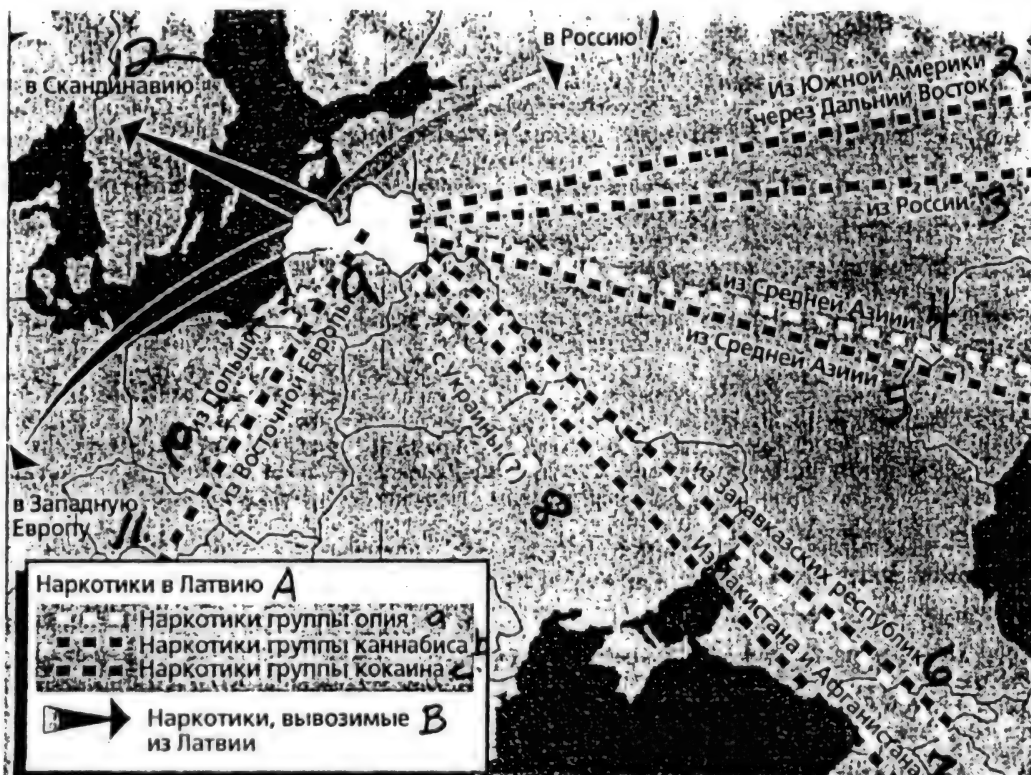
Apartment robberies, store hold-ups, assaults in the street—these are all methods for desperate drug addicts to get money. A glass of pulverized poppy straw costs 4 lats. Young girls who offer their bodies for sale in the street, as well as certain "call girls," are puppets in the hands of their pimps. They have been "hooked." They are totally dependant on the next dose of ephedrine (a narcotic which increases the sex drive) or heroin. This is almost the only way in which the owner settles accounts with such girls.

Businessmen, as a rule, try to stay away from narcotics.

Nevertheless, a substance for entertaining "higher society"—cocaine powder—has appeared in Latvia. This is an expensive thing. Cocaine is brought in by transit route from Russia (through the Far East, from South America) or from Western Europe.

Table 1. Statistics on drugs for 1992-1993

	1992	1993
Drug-related crimes	117	219
Deaths from drug overdose	27	47
Drugs confiscated in the city of Riga	60 kg	167 kg
Opium extract confiscated in Riga	1.2 liters	52.5 liters



Key: A - Narcotics brought into Latvia; a - Narcotics of the opium group; b - Narcotics of the cannabis group; c - Narcotics of the cocaine group; B - Narcotics taken out of Latvia; 1 - To Russia; 2 - From South America through the Far East; 3 - From Russia; 4 - From Central Asia; 5 - From Central Asia; 6 - From the Transcaucasus republics; 7 - From Pakistan and Afghanistan; 8 - From Ukraine (?); 9 - From Eastern Europe; 10 - From Poland; 11 - To Western Europe; 12 - To Scandinavia

### 'Sharp' Increase in Death Rates, Suicides, Murders Noted

944K0850B Riga DIYENA in Russian 19 Feb 94 p 7

[Article by Anda Mikelsons: "Two People Were Murdered Each Day Last Year"]

[Text] Riga, 17 February—According to the unverified data of the Ministry of Welfare's Health Department, the death rate in Latvia last year was much higher than it had been in 1992 (3,787 more deaths last year than in 1992), and so was the number of suicides and murders. There was an average of two murders and three suicides each day last year. Brigita Everse, the head of the Public Health Statistics Division of the Ministry of Welfare's Health Department, told DIYENA today that the total number of murder victims last year was 639, which was 215 more than in the previous year. The number of suicides rose by 171 (a total of 1,090 suicides).

The number of accidental deaths, including homicides and suicides, increased by exactly 1,000. Last year there were 5,485 accidental deaths.

Meanwhile, the birth rate is declining. The number of children born in 1993 was 4,246 less than in 1992. In all, 27,323 children were born last year (not counting stillbirths).

Psychologist Janis Gulbis says this is a result of the dramatically lower standard of living. In his opinion, 85 percent of the Latvian population is living on less than the minimum subsistence budget. There are many cases in which people have nothing to eat for a long time, and this is driving them to suicide and crime.

People are much less likely to seek medical treatment than before. Because of this, their illnesses are often neglected until they are severe enough to be fatal. Besides this, medicine and medical treatment are too expensive now.

### Statistics On Number Of Drug Addicts In Latvia

94WD0271A Riga NEATKARIGA CINA in Latvian 25 Feb 94 p 1

[Article by Viesturs Rencis: "Still Drug Addicts"]

[Text] According to the State Drug Treatment and Health Center medical institutions have registered 794

drug addicts and 358 drug users. In 1993 125 drug addicts were registered and 50 drug users. Last year 383 drug addicts were treated in various medical institutions.

For its part in Riga alone there were 2,536 drug addicts, people arrested in drug dens and drug dealers, according to the information bureau of the National Battle Against Drug Addiction.

Unfortunately this is only the visible part of the iceberg. Specialists believe that there are six to ten thousand drug addicts in Latvia, 80 percent of them under 30 years of age.

On 27 February, at 1b Strelnieku Street, in the *Ziemeļblazmas* club, at 2:00 pm, people will gather to continue working at establishing the movement *Parents Against Drug Addiction*. As NEATKARIGA CINA has already written, this movement unites parents in the battle against drug addiction in Scandinavia.

We remind you of the confidential number for drug addicts: 391 307.

## LITHUANIA

### Union of Poles Leader Views Organization's Tasks, Problems

944K0883A Vilnius EKHO LITVY in Russian  
18 Feb 94 p 3

[Statement by Jan Minciewicz, chairman of the main governing board of the Union of Poles of Lithuania, taken from interview conducted by V. Kuznetsov, under the rubric "In Political Parties and Social Movements": "We Must Look to the Future"]

[Text] Yesterday the Fourth Congress of the Union of Poles of Lithuania, created in 1988, opened. In this period of time, it has followed a path from social to sociopolitical organization with a faction in the Seimas of the Republic of Lithuania which won in the elections to the Vilnius and Salcininkai rayon soviets. Our correspondent, V. Kuznetsov, asked the chairman of the main governing board of the Union of Poles of Lithuania, Jan Minciewicz, to tell about the Union's tasks and problems.

Five years have already passed since the day the Union of Poles was created, and in that time it has lived through various things. We lived through a kind of revolution too. While in 1988 we were registered as a social organization, in 1992, on the eve of elections to the Seimas, we acquired the status of a sociopolitical organization which along with political parties received the right to participate in elections on a multiparty basis. And now we have a faction consisting of four people in the Seimas. Undoubtedly, this suggests the support of voters, especially voters of the Vilnius District. The recent elections to the Vilnius and Salcininkai rayon soviets, which as you know were very difficult, ended in victory for our

organization. In these soviets our representatives constituted about 80 percent of the membership. All these things are, as they say, our political achievements.

As for our organization itself, we are preparing for the congress. Conferences of our branches in Vilnius and Vilnius, Salcininkai, Svencionys, and Trakai rayons as well as those of the primary organizations in Kaunas, Druskininkai, and Zarasai have been held. What is significant is that they came out in favor of preserving our organization's present status as a sociopolitical organization. That is to say, there are no prerequisites either for depoliticization (becoming a social organization again) or for transformation into a political party. I think that the congress will support this opinion of our rayon branches too. But the status of sociopolitical organization has its minuses too. First of all it restricts potential for drawing youth and high school students into our ranks, that is to say, it deprives us of a future. For according to existing legislation, we cannot create our organizations in schools and other educational establishments. This also applies to interdictions on creating them in labor collectives.

But persecution of activists of the Union of Poles of Lithuania after the disbanding of the Vilnius and Salcininkai rayon soviets and the administration of these territories through "governors" had a special effect on our organization's numbers. And these 2 years left their deep marks. We believe that the disbanding of these soviets was not justified and had serious consequences. Look at what is happening today with the allocation of land in Vilnius Rayon. Recently this issue was reviewed by state control, which drew the conclusion that the allocation of land by the "former governor" was illegal. But it is "spinning its wheels," although in our opinion there is every reason to rectify this situation—construction has begun in only a handful of cases. And the authority of the rayon soviet is not sufficient, there must be a decision of the government. But that is only part of the consequences of the disbanding of the soviets, which the Union of Poles of Lithuania has participated in cleaning up; with the help of jurists we provided various kinds of help to the people who were illegally harmed. Of course that is not our function; it should be done by the rayon soviet, which, as was already said, was unjustifiably disbanded. All this persecution brought down upon our activists—firings, summons to the procurator's office, discrediting in the press—played its role. The size of the Union of Poles of Lithuania fell by almost half, from 15,000 to 8,000 people, although the situation in various rayon organizations changed in different ways. Thus, while in Vilnius Rayon membership declined by half, in Trakai, in contrast, it rose, and in others it did not change at all. Here I must also talk about one other problem which disturbs us a great deal—the planned reform of the administrative-territorial division. At one time, to be more precise on 29 January 1991, the Supreme Soviet of the Republic of Lithuania adopted a decree which said that rayons of the Vilnius District must constitute one territorial unit with its own



status. No one rescinded this decree, so it has legal force. But now new plans for the administrative-territorial division have appeared, and not one of them takes this decree into consideration. I think the congress will express an opinion on this issue, especially since our faction in the Seimas has prepared its own plan for a solution to the administrative-territorial division of the republic. What is our position? We believe it is unacceptable to unite the city of Vilnius with Vilnius Rayon, since neither the city nor the rayon wants this. But to call things by their real names, this is necessary for the Polish population which constitutes a majority in Vilnius Rayon to "dissolve" into this megapolis. Another goal is to divide the land of peasants living there and transfer it to the city. But the main goal is of course political—to ensure that the Polish population does not constitute a majority. That same goal is pursued by the resettlement of Vilnius Rayon with residents of the city by allocating lots for construction to them (as was already said, frequently illegally). But our plan is based on the Supreme Soviet decree which I already mentioned and, incidentally, international requirements which do not allow the dissolution of national minorities who live in close quarters. This, in our opinion, should mean the unification in Vilnius District of the Vilnius, Salcininkai, and Trakai (with the exception of Elektrenai) parts of Svencionys and Sirvintos rayons. However, there are many opponents of this plan. But the discussion of this issue will take place in the very near future.

What other problems of internal political life today disturb the Union of Poles, and in fact everyone who supports us? The Democratic Party of Labor of Lithuania [DPLL] has already been in power a year and a half. I must note that many of those who support us voted for it. They rendered their support in the presidential elections to A. Brazauskas too. Why? During that time it was obvious that a change of power was needed and a political force able to change the situation fundamentally should come to power.

Whether four or eight deputies were elected from the Union of Poles, nothing could fundamentally change. And many people voted for the DPLL and A. Brazauskas in the hope of getting rid of all the troubles. Unfortunately, that did not happen, and one can verify only deterioration in all areas. And while the socioeconomic situation, or rather its deterioration, affected everyone, issues of Polish culture, language, and national self-consciousness as a whole were more acute to those who elected and support us. Let us take our Polish university whose creation V. Landsbergis "blessed." However, about 100 students are in their third year of study there, but the school still has no formal status and no premises. On the contrary: a week ago a directive was received from the administration of the city soviet that the Polish university was to vacate the premises it occupies at 5 Sibaciaus Street and no other premises were offered. And what is being done with Polish television? Some authorities have begun to broadcast it, but others are shutting it down, arbitrarily superimpose other programs

on its programs, and so on. The publication of textbooks in the Polish language is also declining. And this is already state policy—the decision was made by the Ministry of Culture and Education. And who is training cadres for Polish schools? The pedagogical university trains only specialists in Polish studies, but what about biology, chemistry, and geography? Not to mention the teaching of foreign languages or even the Lithuanian language in Polish schools. For example, there are 74 teachers of the Lithuanian language working in the schools of Salcininkai Rayon. But only 17 of them are Lithuanian specialists. The rest are chance people, teachers of other subjects. Given this situation can we really expect the teaching of the state language to improve? For if we are speaking of the state language, the question must be fundamentally resolved. Incidentally, the draft law on the state language which is already being reviewed in Seimas committees also has a number of provisions with which we find it difficult to agree. Thus, according to Article 5 on areas where national minorities live in close quarters, residents may be served in the language of this minority along with the state language in communications and health care institutions and on transport. That is to say, they may be served, and so they may not be! But this is a step backward as compared with the Law on National Minorities which says that the language of the minorities must be used in institutions of power with which people deal. Unfortunately, this is not the only defect of this draft. The draft does not guarantee that representatives of national minorities will receive higher education either. Of course we will express our opinion in the committee and in the Seimas, but I am not certain that the vote will be in our favor.

Yes, there are many problems, but we do not believe, unlike other political forces, that a permanent change in government or early elections will help us resolve them quickly. Our opinion is that first we must respect both our own laws which have already been adopted and international norms. For when Lithuania was accepted into the Council of Europe, it set the condition that we sign "Charters on Local Autonomy," where the rights of national minorities are defined. But up to this point this document has not been reviewed in the Seimas and, accordingly, has not been signed. To touch upon international problems, I would like to say a few words on the Lithuanian-Polish treaty which the signatories have been preparing to sign for a fairly long time. I believe that many of the things which I already spoke of and which are not being resolved at this time in our republic could have been envisioned in that treaty. They above all include exercise of the rights of the Polish population living on Lithuania's territory, the problem of the Polish university and Polish television, and so on. As for the preamble of this treaty and the historical evaluation of well-known events, I think that treaties are signed in the promise of future relations. The past is a matter for historians, but we must look to the future; otherwise we will never move forward. For those who were born here, in the Vilnius District, before the war are not to blame for being born on the territory of Poland. Therefore

formulas which are acceptable not only to Lithuania and Poland but also to the Polish population of the Vilnius District must be found.

**Seimas Votes Itself Free Air-Time on Radio, TV**  
*944K0823A Vilnius LIETUVOS RYTAS in Lithuanian*  
*18 Feb 94 p 2*

[Article by Arturas Racas: "The Parliament Finally Remembered the Press"]

[Text] The members of parliament yesterday granted themselves the right "to use not more frequently than once a month the state radio and television free of charge to air their issues." This principle was imposed almost unanimously during the debate on the final draft of the Parliament's statutes.

The opinions of the members of parliament differed somewhat when they tried to resolve the questions of remunerations. There was a lengthy debate on whether the members of parliament—officials and ministers—should get additional pay, but no decision was adopted.

The members of parliament also resolved that only the author's honorarium for works of art and their performance, also for publications and books will qualify for payment for creative activity (hourly remuneration for pedagogical, scholarly-scientific work or consultation having been crossed out from the list). Following the vote, deputy chairman of parliament J. Bernatonis congratulated the members of parliament for "having supported the ideals of socialism."

In the opinion of many members of parliament, there will be one more vote concerning this article, because it does not satisfy those who teach or work in the universities or similar institutions.

Yesterday the parliament also took care of the publishing houses and their editorial personnel that specialize in periodicals. The parliament decided to allow them to privatize the premises they are renting that belong to the sphere of state regulation. When such premises are not being privatized, municipal or district boards are obligated to provide them with space of equal value.

Just before the adoption of this decision, the members of parliament decided not to permit the privatization of the premises that are rented by the state information agency. The most vocal opposition to this was voiced by K. Snezko, a representative of the LDDP (Lithuanian Democratic Labor Party) faction, who had missed 78 meetings during two sessions and had never participated in the discussions.

Most of the representatives of the parliamentary factions of the Right also voted against the decision or abstained themselves, because in their opinion it would help the LDDP to strength its influence in the newspapers.

V. Zimnickas, who presented the report, was of a different opinion. He asserted that "if we want to preserve an independent press, we must help it."

In the afternoon meeting, the President's adviser on state and legal questions R. Andrikis submitted to the members of parliament a "Law on Declaring Property and Income of the Inhabitants of the Republic of Lithuania," which is presented by the President. According to Mr. Andrikis, the main principles of this law are the linking of the declaration with taxes, the universal character of declaration, and the secrecy of the information on the declaration.

Answering R. Ozolas, who asked how the new law essentially differed from the one that was earlier rejected by the president, R. Andrikis asserted that there was one difference: "the earlier law was a law on the listing of property."

After the members of parliament had approved the submission of the new law on the declaration of property and taxes, the head of the Conservative faction A. Kubilius congratulated J. Bernatonis on his victory and publicly suggested that both of them declare their own and their family members' property and income. J. Bernatonis did not respond to this offer; when asked by LIETUVOS RYTAS, why he did not answer the question, he replied: "Because the members of the parliament did not have their health checked before the elections."

Following the vote, social democrat N. Medvedevas said that he was going to lie down in front of the rostrum and block the new law until the experts have presented their conclusions on this law's potential consequences for Lithuania.

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